

MUNICIPAL AND URBAN INDIA  
(SELECTIONS FROM *NAGARLOK*)

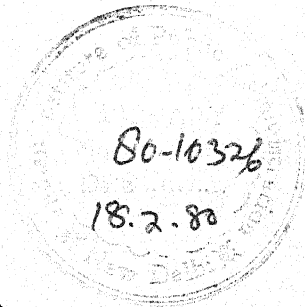




# Municipal and Urban India

(Selections from *NAGARLOK*)

*Edited by*  
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**DEDICATED**  
**TO**  
**PROF. DEVA RAJ**  
**(1913-1979)**



## FOREWORD

The problems of urban development and administration are increasing and growing in complexity. The pressure of circumstances has necessitated some fresh thinking on the various aspects of the working of urban administration. The statutory and institutional arrangements for urban administration vary in nature and effectiveness as the people at large have expectations of an integrated and effective performance from the municipal institutions. In order to meet these expectations and for a variety of other reasons, specialized organizations are being set up to undertake specialized functions. This, at times, cuts seriously into the powers of the municipal institutions proper and thus not only reduces their capacity for effectiveness, but also erodes the people's faith in them. Despite the lip homage paid to municipal institutions as nurseries of democracy, one wonders whether their problems and difficulties get the serious consideration they deserve. A number of research studies and committee reports have highlighted their inadequacies, but they have also indicated the measures that can help to obtain a higher level of performance by them. Somehow, for several reasons—financial inadequacy, political apathy, lack of adequate popular pressure and administrative support, etc.—the possibilities of their redemption and progress seem like the receding chimera. Unfortunately, this is likely to create insurmountable problems in the future with the increase in population pressure, growth of slums, inadequacy of housing, increase in urban unemployment and danger of pollution, along with the tensions of industrialization and increasing crime within or on the periphery of cities. More important, the place of municipal government within the totality of the framework of our State apparatus has itself yet to be assessed. The urban or municipal administration is not necessarily coterminous with effective urban government in a locality.

It is in this wide perspective that this volume seeks to explore the relevant issues and problems. The statutory sanctions of municipal administration and its limits have been examined. The various facets of better administrative management of municipal governments have received

attention. The financial resources for these bodies, the relations of the municipal governments with the local government, and the possibility of better utilization of the limited resources at their disposal have been critically looked into and suggestions made. The problems of decision-making, organizational and structural arrangements, and staffing have been constructively reviewed. Other and wider issues, such as, the indicators for performance appraisal in municipal administration, goals for urban planning, urban housing policy, civic involvement and urban neighbourhood have been raised. The volume thus presents a total picture of the policies, the place, the powers and the future of municipal government. A better and improved municipal government is the common theme that runs through the various articles of the distinguished authors and they all have a feel for facts and an eye to the future development.

The idea of bringing out a volume containing selected articles from *Nagarlok*, covering the first decade of its publication (1969-78), was taken up at the time when the programme for the IIPA Silver Jubilee Celebrations was being drawn up. It was Professor A. Datta, the present Joint Editor of *Nagarlok*, who gave a worthwhile shape to this idea in the form of the present volume. I am thankful to him. I hope this volume will not only be a reference document indicating the status reporting of urban public affairs in India, but also prove to be of considerable value and interest to the students of local administration, practitioners and public men interested in better municipal administration, for it presents many of the stimulating ideas and issues in scholarly manner.

As this volume was in the press, we came to know of the sad demise of Prof. Deva Raj. Prof. Deva Raj was with us in IIPA as the Head of the Centre for Urban Studies for several years and his role in building up the Centre was as significant as his contribution to the discipline of urban planning and administration. It is only appropriate that this volume should be dedicated to his memory as a token of our gratitude to him and in recognition of his dedicated work.

*T.N. Chaturvedi*

(T.N. CHATURVEDI)

Editor,

NAGARLOK

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# CONTENTS

	PAGE
Foreword	VII
Introduction	XIII
Legal Framework of Municipal Management : Some Aspects M.K. BALACHANDRAN	1
Management Reforms in Municipal Government M.A. MUTTALIB	11
Reforms in Municipal Financial Administration ABHIJIT DATTA	20
Municipal Decision-Making MOHIT BHATTACHARYA	27
Municipal Commissioner in Gujarat : Structure, Process and Style ANIL BHATT	35
Staff Management in Municipal Administration DEVA RAJ	45
Performance Appraisal in Municipal Administration D.D. MALHOTRA	54
Local Government and Central Control : A Few Observations OMPRAKASH MEHRA	70
State-Local Fiscal Relations in India : Some Vital Issues K.M. RAIPURIA	76
Substitution of Octroi CHARAN D. WADHVA	84

	PAGE
Finances of Calcutta Corporation : Problems and Prospects R.M. KAPOOR	95
Some Aspects of Population and Expenditure on Urban Public Services S. RAMA RAO AND M. NAGESWARA RAO	117
Financing of Urban Development S.S. GADKARI	131
Goals for Urban Planning with Reference to Programme ARTHUR T. ROW	149
Economic Growth of Urban Areas : The Case of Meerut City K.V. SUNDARAM	162
Land Values in Delhi : An Analysis of Spatial Variations R.K. WISHWAKARMA	176
Urban Housing Policy J.B. D'SOUZA	194
Urban Community Development and Community Services SUBHASH CHANDRA	206
Demand Articulation and Civic Involvement in Urban Neighbourhood NIRANJAN PANT	215
Urban Development and the Urban Authorities R. PARTHASARATHY AND K.K. KHATU	225
Bibliography	243
Index	255

# INTRODUCTION

The quarterly journal, *Nagarlok*, first appeared in 1969. Initially, it was devoted to municipal affairs (1969-74); later, its scope was widened to include urban affairs (1975 onwards). Although officially the change in its sub-title took place along with the fourth issue of 1974, its change in policy was announced in the Editorial of the first issue of 1975. Hence in the selection of the articles spanning over the first 10 years of its existence, predominant consideration has been to capture the 'lost world' of municipal administration by selecting the first 12 articles in this area, while the rest 8 articles are devoted to the various aspects of urban affairs.

The present crop of articles has been chosen with primarily two objectives in mind : (a) seminal quality, and (b) current relevance. A fair distribution of areas of concern has been an additional factor in selection. Many of these articles have already acquired the status of 'classics' and are being widely referred to. A brief description of the papers is attempted here to introduce to the reader the flavour of the articles and their relevance to the contemporary scene.

The first three articles are devoted to the system of municipal organization—legal, administrative and financial. It is well-known that the system is a hangover from the 19th century and no worthwhile reforms have so far been attempted to relate these to the present day requirements. The papers offer constructive ideas in this direction. The next batch of four papers are concerned with the internalities of municipal administration, covering decision-making and personnel management. Since the earlier paper on financial administration already covered the financial organization and management aspects, an additional paper exclusively on municipal financial management has not been included in the present volume. The next two papers are concerned with State-local relations—the first paper provides the approach, while the second paper deals specifically with the fiscal relations. The next three papers are devoted to municipal taxation and expenditure. Of these, the first paper

deals with the question of alternatives to octroi and the second paper considers reforms in property taxation.

The next group of articles are devoted to the wider theme of urban affairs and cover diverse themes, such as, financing and organization of urban development, goals of urban planning, urban economic base, urban land values, urban housing policy, urban community development, and grassroot politics.

Admittedly these do not cover all the important aspects of urban affairs, however the term is defined; nevertheless, the papers do indicate some of the relevant questions to be posed for initiating effective public action in the urban areas.

ABHIJIT DATTA

# LEGAL FRAMEWORK OF MUNICIPAL MANAGEMENT—SOME ASPECTS

M. K. BALACHANDRAN

The frequency with which legal problems arise in the management of municipal affairs cannot be over-emphasised. Law provides the basis for the existence of municipal bodies as well as the framework of rules for such bodies to function. With the multiplicity of municipal functions and the consequent increase in the complexity of municipal problems, this legal framework has been undergoing frequent changes either on account of new legislation in municipal and allied fields or through judicial interpretations. Further, while municipal authorities have to function within the framework of municipal law, their actions are also subject to a host of other laws such as the law of torts, contracts, land acquisition, labour laws, etc. The present paper is an attempt to throw some light on the legal framework within which the municipal management has to function in dealing with municipal administration.

## RULE OF *ULTRA VIRES*

The rule of *ultra vires* is of vital significance to municipal management as it has its impact on the various activities of municipal administration. Thus, a contract entered into by a municipality outside the powers granted to it by the statute<sup>1</sup> or an unauthorised delegation of a statutory power<sup>2</sup> would be *ultra vires*. Same would be the fate of an unreasonable exercise of a discretionary power<sup>3</sup> or an improper use of a statutory power.<sup>4</sup> The principle equally applies in the exercise of rule-making or bye-law making powers also.<sup>5</sup> The significance of this principle lies in the fact that if an action taken by a municipal authority is held to be *ultra vires* then it is

<sup>1</sup>*H.S. Rikhy v. N.D. Municipality*, A.I.R. 1962 S.C. 554.

<sup>2</sup>*Maganlal Chumilal v. Manilal Maganlal* A.I.R. 1968 S.C. 822.

<sup>3</sup>*Taylor v. Munrow* (1960) All E.R. 455.

<sup>4</sup>*Webb v. Minister of Housing and Local Government*, (1965) 2 All E.R. 193.

<sup>5</sup>*Municipal Board, Ghaziabad v. Rizwan Beg*, A.I.R. 1965 All. 544.

null and void and has no effect in law. Being a creature of a statute<sup>6</sup>, it will be necessary for municipal bodies to show that they have statutory authority for what is done or what they propose to do. In other words, they can do only those acts which they are authorised to do by the governing statute either directly or by implications. If they act otherwise than in this way, their action will be held to be *ultra vires*. Thus, when the statute empowers the corporation to establish wash-houses for the use of the public, it would be an *ultra vires* act if under the purported exercise of that power, the authority undertakes a laundry business.<sup>7</sup> Similarly, when the Act empowers the municipal body to require licence to be taken for the manufacture, sale, etc., of specified articles of food and drink and to prohibit such manufacture or sale in unlicensed premises, then if the municipality makes a bye-law restricting the sale of such articles to one particular locality demarcated for the purpose, the bye-law would be *ultra vires* being outside the powers granted by the statute.<sup>8</sup>

An act of a municipal authority may be *ultra vires* not only if it is one which it is not empowered to do (substantive *ultra vires*), but also if it is done in a manner different from that prescribed by the governing statute (procedural *ultra vires*). For instance, when the statute empowers the authority to impose certain taxes and provides for an elaborate procedure for doing so, the imposition would be *ultra vires*, if the procedure is not strictly followed. Thus in *Nagar Mahapalika, Varanasi v. Durga Das Bhattacharya*<sup>9</sup>, the Supreme Court observed that it was impossible for the municipal board to impose a tax (under the guise of licence fees) without following the mandatory procedures for imposition of taxes prescribed by Sections 131 to 135 of the U.P. Municipalities Act, 1916.

However, those acts which are reasonably incidental to a power expressly conferred by the statute, may be regarded as impliedly conferred by the statute. Thus the court might uphold the establishment of a printing press by the municipal authority for the purpose of executing all printing works required by them on the ground that it is 'incidental to' or 'consequential upon' carrying out the authority's statutory duties.

While our municipal laws have followed the English practice of specifying in law, the powers and functions of the authorities and they are subject to the rule of *ultra vires*, in such countries as France, Sweden or Norway, the principle that is in vogue is the principle of 'general

<sup>6</sup>The constitution, powers and duties of municipal bodies are provided for by the Municipal Acts enacted by the different state legislatures in pursuance of the power conferred by Entry 5 in the State List of the Constitution.

<sup>7</sup>*A.G. v Fulham Corporation*, (1921) 1 ch. 440.

<sup>8</sup>*Haji Ismail Haji Mohd. Ramzan v. Municipal Committee, Malerkotla*, A.I.R. 1962 Punj. 364.

<sup>9</sup>A.I.R. 1968 S.C. 1119.

competence' under which the local authority is empowered to render whatever services the community needs provided they do not encroach upon the functions of other authorities. It has been pointed out that the doctrine of *ultra vires* by confining the area of operation of the local authorities to statutory limits 'puts a break on progress' and that "it does not encourage an imaginative and venturesome outlook" while the principle of general competence "ministers to the pride of the authority" by enlarging their area of activity. In England, the Committee on the Management of Local Government<sup>10</sup> has pointed out the desirability of softening the rigours of the *ultra vires* principle in its application to local authorities and has recommended that the local authorities should be given a general competence to do, in addition to their specific statutory duties and permissive powers, whatever that is needed to meet the requirements of the community. But even after the passing of the Local Government Act, 1972, the doctrine still remains an integral part of the English local government.<sup>11</sup>

The effect of this doctrine is this : Before a municipal body undertakes any new activity it must ensure that it has got sufficient statutory authority to enter into that new field. Otherwise the action would be held invalid by the courts. It is for the authority to bring about necessary legislative changes before engaging itself in such an activity so as to exclude the application of the doctrine.

#### TORTUOUS LIABILITY

Municipal tort liability is yet another important aspect which should be of vital concern to the management. In this regard, municipal bodies are kept on the same footing as private individuals and their liability is governed by the general principles of the law of torts. However, in view of their statutory functions and duties of rendering services to the public, some deviations are made in the application of the ordinary law of torts to such bodies.

Being fictitious persons, municipal bodies can act only through their agents or servants and as such they are governed by the doctrine of vicarious liability. Under this doctrine, a master (employer) is held vicariously liable for the torts committed by his servant (employee) acting in the course of employment. The interpretation of the expression 'course of employment' has, however, created some confusion. Judicial attempts in this regard evidence wide divergences of views. Thus, where

<sup>10</sup> *Report of the Committee on the Management of Local Government* (1967), Vol. I.

<sup>11</sup> "Certainly it cannot be said that the Act (the Local Government Act, 1972) abolishes the *ultra vires* doctrine, or indeed makes more than a minute dent in the surface of the principle. Indeed, in one respect, it could be said that the Act strengthens the doctrine". J.F. Garner, "The *Ultra Vires* Doctrine and the Local Government Act," *Local Government Studies*, February, 1973.

a student got injured while preparing the teacher's lunch as directed by her teacher who was an employee of the corporation, the court held the corporation liable on the ground that the act of the teacher was within the scope of employment even though it was not within the scope of authority given to her.<sup>12</sup> Similarly, where the driver in the employment of the state government entrusted the driving of the vehicle to the mechanic, and the vehicle met with an accident, the court held the government liable for damages. The act of the driver, the court observed, was an improper mode of performing his duty as a driver and was, therefore, an unauthorised way of acting within the scope of his employment.<sup>13</sup> But where the driver allowed the cleaner to learn driving and while giving trial, met with an accident, the court held that the master was not liable because the act was not done in the course of employment.<sup>14</sup>

The distinction drawn in earlier times, between *intra vires* and *ultra vires* acts of a municipal body in fixing up the liability,<sup>15</sup> has been done away with by later decisions of the courts. Thus in *Campbell v. Baddington Corporation*<sup>16</sup> the corporation was held liable for committing a nuisance by authorising the council's servants to erect a stand on the highway for the councillors and their friends to watch the funeral procession of Edward VII. The council's contention that being a statutory corporation it could not be used in tort because it had no statutory authority in law to authorise the erection of the stand, or in other words, the defence of *ultra vires*, was rejected by the court. The principle laid down in this case was not accepted and upheld in India in a Madras case where it was held that the municipal council was liable for an unlawful act and the fact that it had acted in excess of its statutory powers was not a defence to the action but was an aggravating circumstance.<sup>17</sup>

Municipal enactments usually contain provisions absolving the municipal bodies from liability "in respect of anything in good faith done or intended to be done" under the Act or under any rule or bye-law made thereunder.<sup>18</sup> This provision came up for interpretation before the Bombay High Court in *Kailas Sizing Works v. Municipality of Bhivandi*

<sup>12</sup>*Smith v. Martin and Hull Corporation*, (1911) 2 K. B. 775.

<sup>13</sup>*U.P. Government v. Ram Milan*, A.I.R. 1967 All. 287.

<sup>14</sup>A.I.R. 1966 S.C. 1697.

<sup>15</sup>In the United States, however, *ultra vires* constitutes a valid defence if the city was acting beyond the scope of its lawful powers. See Charles S. Rhyne, *Municipal Law*, (1957), pp. 739-740.

<sup>16</sup>(1911) I.K.B. 869.

<sup>17</sup>*Thiruveriamurthu Pillai alias B.T. Pillai v. Municipal Council Shencottah*, A.I.R. 1961, Mad. 230.

<sup>18</sup>e.g. Section 167 of the Bombay District Municipal Act, 1901; Section 477 of the Delhi Municipal Corporation Act, 1957.



and Nizampur,<sup>19</sup> where the court laid down the following principles :

If a municipality acts in discharge of statutory duties, whether enjoined or unauthorised (permitted) as long it acts honestly, no action would lie against it even if it acted negligently. But if it did not act honestly, the negligence would be actionable. The plaintiff must in such action establish want of good faith or honesty in addition to the negligence.

In order to act in good faith, a person must act honestly. A person cannot be said to act honestly unless he acts with fairness and uprightness.

If things authorised to be done by a statute are carelessly or negligently done, an action is maintainable; such a breach is known as statutory negligence.

The court held in this case that the action taken by the municipality was carried out with wilful and wanton negligence without good faith causing damage to the plaintiff's property and that the suit was not barred by Section 160 of the Bombay Municipal Act, 1901. The municipality was, therefore, held liable for damages.

Another question which comes up for consideration is whether an individual can file an action in tort against a municipal body for its failure to carry out its statutory functions. As far as discretionary powers are concerned, there will not be any liability even if the non-exercise of the discretion injures a third party. Thus if the authority has a discretionary power to provide street lighting and decides not to exercise that power, it is not liable to an individual injured in consequence of the dark condition of the streets at night. On the other hand if the authority decides to exercise that power, it should exercise it carefully and if it fails to show due care, it is liable for its negligence to an individual injured in consequence.

But the position is slightly different in the case of failure to carry out its mandatory or obligatory duties. In some Municipal enactments there are specific provisions absolving the municipal bodies from liability for non-performance of such duties.<sup>20</sup> The general law, however, is that unless the duty is specifically directed for the benefit of an individual and it is shown that the statute intended to give a right to its enforcement, an action for tort will not lie where the authorities have violated their general statutory duties.<sup>21</sup> However, if the municipal body exercises its statutory

<sup>19</sup>A.I.R. 1969 Bom. 127.

<sup>20</sup>e.g., Section 66 of the M.P. Municipal Corporation Act, 1956.

<sup>21</sup>Street, *Law of Torts* (1961), pp. 270-71. It may, however, be mentioned here that a writ (mandamus) can be issued against the authority to discharge its statutory obligations. *S.R. Tiwari v. District Board, Agra*, A.I.R. 1964 S.C. 1680.

powers to the injury of the public, the injured person may be entitled to sue. Thus where the Building Inspector's negligence in approving unsatisfactory foundations result in the financial loss of an individual, then the individual has a right to sue the municipality, for "the purpose of building bye-laws, including the inspection of the site in course of erection, is the protection of the public."<sup>22</sup>

As occupiers of public properties, municipal bodies owe a duty of taking due and reasonable care for the safety of the public using the premises as invitees or licencees. The legal position in this regard was clearly explained by the Supreme Court in the case of *Municipal Corporation of Delhi v. Subhagwanti*.<sup>23</sup> Here, three persons were killed by the collapse of the clock tower which belonged to the Delhi Municipal Corporation and the successors of the deceased instituted suits claiming damages from the corporation. The court held the corporation liable for negligence because of the potential danger of the clock tower maintained by it having not been subjected to a careful and systematic inspection which it was its duty to do. The court observed :

The legal position is that there is a special obligation on the owner of adjoining premises for the safety of the structures which he keeps beside the highway. If these structures fall into disrepair so as to be of potential danger to the passer-by or to be a nuisance, the owner is liable to anyone using the highway who is injured by reasons of the disrepair. In such a case it is no defence for the owner to prove that he neither knew nor ought to have known of the damages. In other words, the owner is legally responsible irrespective of whether the damage is caused by a patent or latent defect.

#### STAFF CONTROL

The management frequently faces a variety of legal problems in matters relating to staff control. The management has the right and duty to maintain proper discipline in the organisation for efficient administration and as such has the right to suitably punish the delinquent employees; but at the same time they are required to follow certain principles and procedures in taking disciplinary action against such employees. Article 311 of the Constitution<sup>24</sup> which guarantees certain procedural safeguards to

<sup>22</sup>*Dutton v. Bognor Regis, UDC*, 1971, 2 All. E.R. 1003.

<sup>23</sup>A.I.R. 1966, S.C. 1750.

<sup>24</sup>This Article gives two-fold protection to civil servants, viz., (i) against dismissal or removal by an authority subordinate to that by which they are appointed, and (ii) against dismissal, removal or reduction in rank without giving them reasonable opportunity to represent their case and to show cause against the actions proposed to be taken against them.

government servants is not applicable in the case of municipal employees.<sup>25</sup> However, municipal enactments usually guarantee the same or similar protection to municipal employees. For instance, Section 95 of the Delhi Municipal Corporation Act which deals with the punishment for municipal officers and other employees, for breach of any department regulations or of discipline, etc., provides for similar safeguards.

The general common law is that the power of appointment ordinarily carries with it the power of dismissal, removal or taking disciplinary proceedings. When the statute provides that a subordinate cannot exercise that power of dismissal, it does not mean that it cannot be exercised by a superior officer.<sup>26</sup> But where the authority does not have the power of appointment, but makes the appointment, it will not have the power of dismissal. Thus, when the power of appointment under the law vested with a superior authority, but the appointment was actually made by the corporation, it was held that the corporation did not have the power of dismissal because "when there is a conflict between what is actually done and what ought to have been done under the law, the law has to prevail." On the other hand, when an authority higher than the one entitled under the statutory rules to order an appointment, in fact orders valid appointment, it is the factum of that appointment that determines the matter. In such a case, if the employee is dismissed or removed from service by an authority, no doubt competent under the rules to order appointment and also to order dismissal, which however is lower in rank than the authority which in fact ordered the appointment, such an order would be invalid.<sup>27</sup>

Regarding the question of delegating the power of dismissal to a subordinate, the Supreme Court, in a recent case<sup>28</sup> has categorically declared that the appointing authority cannot delegate his rank even if there is statutory authority to delegate his powers and functions to a subordinate. The court observed :

What is involved in matters of appointment and removal is the status and rank of the employee and the status and rank of the authority taking action. When the proviso to sub-section (1) of Section 95 says that an officer and an employee shall not be dismissed by an authority subordinate to that by which he was appointed, the subordination is of rank and not of functions. The proviso places an embargo on any subordinate of the appointing authority from removing or dismissing an employee from service.<sup>29</sup>

<sup>25</sup>*Mangal Sain v. State of Punjab*, A. I. R. 1952 Pun. 58; *Kishori Lal Batra v. Punjab State*, A. I. R. 1958 Punj. 402.

<sup>26</sup>*Karmadeo v. State of Bihar*, A. I. R. 1956 Pat. 228.

<sup>27</sup>*Parameshwar Dayal v. State*, A. I. R. 1963 Raj. 126.

<sup>28</sup>*The Management of D.T.U. v. B. B. L. Hajley*, 1973, M. C. C. 16.

<sup>29</sup>*Ibid.*, p. 21.

It may be mentioned here that termination of service in pursuance of service rule or agreement (contract of service) is different from dismissal. When the service rules provide for termination of services and the services are terminated in accordance with those rules and this is also mentioned in the order of termination, then it is valid termination.<sup>30</sup> But if the termination order says directly or indirectly that the employee is guilty of a misconduct, then even if the word 'dismissal' is not used in the order, the discharge is punitive because the order casts a stigma or aspersion on the employee concerned. Thus, when the services were terminated on the ground that it was undesirable to continue the employee in service, it was held to be an order of dismissal and not a mere order of discharge.<sup>31</sup> When the discharge amounts to a punishment, an enquiry will be necessary.

If a right exists under the contract or the service rule to terminate the service then the motive operating in the mind of the management is irrelevant and the termination is not a punishment.<sup>32</sup> When the management chooses the alternative of terminating the appointment under the relevant rules instead of dismissing the employee, the mere fact that an antecedent enquiry is conducted, does not make the order *mala fide* or punitive in nature. Even if the management thought that the employee was a cantankerous person and that it was not desirable to retain him in service,<sup>33</sup> it was open to them to terminate his services in accordance with the contract of service. However, the mere use of the expression 'terminate' or 'discharge' is not conclusive and the test is to see whether the employer has been visited with evil consequences or not. The order should not be coupled with observations on the alleged misconduct of the employee concerned. This principle equally applies in the case of orders of reversion as well as compulsory retirement. Thus it was held that reversion on the ground of unsatisfactory conduct without giving opportunity to explain would amount to reduction in rank.<sup>34</sup> Similarly, the order of compulsory retirement saying that the officer has outlived his utility would amount to removal from service.<sup>35</sup>

Another question which came up for consideration before the courts was whether judgments of criminal courts were binding or not on disciplinary authorities. It has been consistently held that if the acquittal by the criminal court was solely on the basis of benefit of doubt or on other technical grounds such as lack of evidence, etc., the enquiry conducted by the management in relation to the same conduct would not be barred by the

<sup>30</sup>*Union of India v. Kartar Singh*, A. I. R. 1968 P & H 106.

<sup>31</sup>*Jagdish Mitter v. Union of India*, A. I. R. 1961 S. C. 449.

<sup>32</sup>*Ishwar Singh v. Dist. Board*, A. I. R. 1961 All. 292.

<sup>33</sup>*D. T. U. v. Balbirsaran Goel*, 1970-II LLJ 20 (S. C.).

<sup>34</sup>*Wadhwa v. Union of India*, 1964-I LLJ 395.

<sup>35</sup>*State of U.P. v. Madan Mohan*, 1967-II LLJ 63.

conclusion of the criminal court.<sup>36</sup> But the position may be different when an employee is honourably acquitted. The law in this regard has been succinctly summarised by the Supreme Court in *Indian Airlines Corporation v. Sukhdeo Rai*<sup>37</sup> where the court observed that if the authority did not apply its mind to the earlier judgment of the criminal court on the same conduct, then its action might be held to be invalid on the ground of *mala fide*.

There has been conflict of opinion on the question where an order of dismissal of a municipal servant in breach of a rule governing the conditions of his service renders the order void so as to entitle the employee to a declaration that he continues to be in service and to arrears of salary or whether it renders the order merely wrongful so as to entitle the employee only to salary in lieu of the period of notice.<sup>38</sup> In one of the recent judgments the court even made a sweeping observation that "it was wrong to treat the case of a municipal servant on a footing different from that of a private employee."<sup>39</sup> It is, however, settled by the Supreme Court by its ruling in *Sirsi Municipality v. C.K.F. Tellis*<sup>40</sup> that dismissal of a municipal servant in breach of a statutory rule would be illegal and void and the servant in such a case would be entitled to a declaration that he was deemed to have continued in service.

### CONCLUSION

As has already been pointed out, since municipal activities are governed by the rule of *ultra vires*, the management has to show sufficient statutory authority for all their actions. Necessary legislative changes will have to be brought about before undertaking new ventures. Regarding tort liability, the recent trend in litigations indicates the citizens' awareness of their rights against wrongful acts of the authorities. If the decision in *Kailas Sizing Works*<sup>41</sup> is to be the criterion, the management may not be able to take shelter under the 'good faith, clause for the statutory negligence of their staff. In matters related to staff control, it is true that rigid legalistic approach may do more harm than good; but when the conduct of employees demand severe action, the management should not only be stern and impartial but should also conform to the relevant rules and regulations. Scant regard for statutory provisions and the law might adversely affect

<sup>36</sup>1970-IJ LLJ 204.

<sup>37</sup>1971-I LLJ 496 (S. C.)

<sup>38</sup>e. g., *S. R. Tewari v. District Board Agra*, A. I. R. 1964 S. C. 1680; *Ratilal Chhaganlal v. Dhari District Municipality*, A.I.R. 1971. S. C. 749; *Sirsi Municipality v. C. K. F. Tellis*, A.I.R. 1973 S. C. 855.

<sup>39</sup>*M. S. Jondhale v. Sagamner Municipality* 1973-I LLJ 330.

<sup>40</sup>A.I.R. 1973 S. C. 855.

<sup>41</sup>A.I.R. 1969 Bom. 127.

the action taken by the authority in disciplinary matters. It may be pointed out here that in good number of cases, the dismissal orders were quashed on technical grounds such as failure to follow the principles of natural justice. When the judicial trend insists that even administrative orders involving civil consequences must be made consistently with the principles of natural justice<sup>42</sup>, there is no justification for the management to ignore statutory rules incorporating those principles. The decision in the *Sirsi Municipality* case is a pointer in this regard. □

<sup>42</sup>*State of Orissa v. Dr. (Miss) Binapani Devi*, A. I. R. 1967 S. C. 1269,

# MANAGEMENT REFORMS IN MUNICIPAL GOVERNMENT

M. A. MUTTALIB

Today municipal administration has turned out to be a synonym for mal-administration. In the whole political fabric of the country, its membership is least attractive to people of ability. It is not surprising that the country is not getting full value in terms of human happiness for the time spent and for the increasing current expenditure that is incurred each year by the urban bodies.

Mis-governance syndrome in the urban areas embodies socio-political factors on the one hand, and managerial and administrative factors on the other. In fact, the modern city is not a city in the accepted sense. It is rather an urbanised region with regional functions. It is a maze, a social zoo, a mass of heterogeneous social types. It is the heartland of educational, cultural, economic and political institutions of the nation and is, therefore, the site of the national problems, viz., poverty, disease, unemployment, communal tension, violence and crime. It is because of the uniqueness of its problems that it is in deep trouble, and, therefore, it is unable to rise to the expectations of the citizens. Yet, people will continue to value cities "for both economic and aesthetic reasons for it is in the urban centre that the excitement and the drama of life and the sense of great activity are highest. A metropolitan centre is a magnet for people who need face-to-face contacts—writers, artists, craftsmen—and for businesses which require close and constant communication—high finance, management and advertising".<sup>1</sup>

Area and finance apart, the serious bottlenecks in municipal administration are in two-fold directions. The State legislature, ministers and the state government departments have come increasingly to lose faith in the responsibility of municipal bodies. If municipal democracy is to attract persons of requisite calibre, there should be a larger measure of home-rule. This cannot be attained unless a regular 'dialogue' is maintained between the government and the municipal bodies. The existing arrangement for

<sup>1</sup>*Public Administration Review*, Sept.-Oct. 1970, American Society for Public Administration, Washington, D.C., p. 487.

the conference of municipal chairmen and the municipal commissioners may serve a useful purpose with a little streamlining. This would mitigate the rigour of State control and help develop the idea of co-partnership between the State government and the municipal bodies in their endeavour to promote public welfare. In the first place, the conference should meet regularly—once in a year. Secondly, it should be purposeful and must be well planned. Thirdly, in addition to the Municipal Administration Department, other State Departments should be represented in the conference so that it may provide an effective forum for the exchange of knowledge and experience in view of high level participation from the two sides. Finally, there should be a Standing Committee comprising members from both sides and it should meet more frequently to advise the State government on questions of State-municipal relations. This will remove the existing dichotomy, *i.e.*, State *v.* Municipal Bodies. Such an arrangement will be an exercise in the discipline of cybernetics, based on feedback. This operates in a circular form involving the flow of information to the point of action, and then a return to the point of action with new information and perhaps instructions. It will have a basis in give-and-take of goal-setting, communication and continuous correction. In fact, such an arrangement will be the heart of coordination between the State government and the municipal bodies, both engaged in urban development.

The second and the most serious weakness of municipal administration stems from its internal organisation. It is the legacy of 19th century tradition that the elected functionaries must themselves be concerned with actual details of day-to-day administration. This is interpreted as the essence of local democracy. But it has resulted in inefficiency and undemocratic administration. Municipal bodies rely on the system of committees and sub-committees ill-adapted to the mass of business, now requiring coordinated long term actions. Permanent officials are not sufficiently trusted to take action without reference to elected functionaries. The work is fragmented between too many separate departments and are seldom coherently organised. There may be unity in the parts but no unity in the whole. "The committee system is a contrivance for decentralising the various functions of the council and for creating a number of microcosms of it to meet problems as they arise; it is not a means of establishing responsibilities of individual members or groups of members."<sup>2</sup> In short, in the absence of a managing body entrusted with the functions of directing and controlling civic activities and yet being responsible to the Council in whom is rested the ultimate responsibility for the administration of the municipal body, the municipal government is unable to meet the

<sup>2</sup>*Report of the Committee on the Management of Local Government*, London, Vol. I, Her Majesty's Stationery Office, 1967, p. 24.



new challenges of a developing urban society. It is with this second source of weakness of municipal government that this paper is concerned.

## II

Although chronologically municipal bodies have been the first to have received democratic order in the whole political fabric of the country, the municipal executive is still an unsettled issue. There is no executive organ of government in the legal sense of the term. "It is the generality of councillors who are involved in the process of deciding what should be done, how it should be done and checking whether it has been done."<sup>3</sup>

By and large, there are two main categories of municipal bodies with diverging tendencies: 'the Commissioner type' or 'Corporation type' of city government that obtains in the bigger cities and the 'Council-Chairman-Executive Officer type' that prevails in the medium and small-sized cities. Following the Bombay pattern the first category is based on the separation of the executive from deliberative functions. There are three statutory authorities, namely, the Corporation, the Standing Committee (or Standing Committees) and the Commissioner. The Corporation is primarily a deliberative wing of the city government, while the Commissioner is invested with executive powers. The Standing Committee occupies a twilight zone between the deliberative and executive wings of the city government. In the power structure they are hierarchically graded with the Corporation at the top. But with well-defined statutory position and functions they tend to function independent of one another. However, the statutory basis of the Commissioner's position, his enormous executive authority and very often his calibre often obscure the paramount importance of the elected wing comprising the Corporation and the Standing Committee.

The city corporations differ from one another in respect of the role of: (a) the Mayor and/or the Deputy Mayor, and (b) the Committees. In the city corporation, the Mayor occupies the position of the 'first citizen' and often performs ceremonial functions only. He represents the city on the ceremonial occasions and presides over the meetings of the Council. In certain city corporations like that of Bangalore, he is disallowed to seek chairmanship of any of the Standing Committees. But in U.P., he makes municipal appointments in consultation with the State Public Service Commission, while the Deputy Mayor acts as the Chairman of the principal committees, namely, the Executive Committee and the Development Committee in *ex officio* capacity. In Madras, the Mayor affords a channel of communication between the Corporation and outside agencies

<sup>3</sup>Report of the Committee on the Management of Local Government, *op. cit.*

on the one hand, and occupies a special position in relation to important committees like the Central Committee<sup>4</sup>, the Contract Committee and the Appointment Committee on the other. He is accorded *ex officio* membership and chairmanship of the first and latter two committees respectively.

The committee system provides the other basis for differentiation between city corporations. Now there are two patterns of committees. In the Calcutta and Bangalore Corporations, there are several standing committees with statutory basis. Excepting the service committees like those of finance and personnel, that perform functions coordinative in nature in their respective spheres, no other committee is invested with any coordinating or integrating role. The other corporations have one or two statutory committees with a few other committees established by the Council. In Hyderabad, there is one statutory committee, while in Bombay, Delhi and in the cities of U.P., there are more than one statutory committees. The Standing Committee in Bombay and Delhi and the Executive Committee in the cities of U.P. are the principal committees.

In the district municipalities, the executive authority is shared by several municipal authorities, namely, the council, the committees, the chairman of the municipality and the executive officer. The district municipalities and the city corporations may be distinguished on the basis of political and administrative leadership. The most distinctive characteristic feature of the city corporation is that it is designed to offer effective administrative leadership. Thus the commissioner who is the chief executive officer, is drawn from the highest echelon of public service in the State, namely, the I.A.S. and he is expected to provide administrative leadership. No similar nature of leadership is contemplated from the executive officer in a district municipality in the presence of the chairman of the municipality exercising executive authority. The chairman is not a gubernatorial functionary like the city mayor. He is the head of both deliberative and executive wings and wields authority over the executive wing. He presides over meetings of the council and its committees, and thereby, provides a coordinating link between the council and the committees. He exercises control over the executive personnel and financial and administrative matters. Further, he is a channel of communication between the municipality and the outside agencies including the State government. However, there exists a degree of heterogeneity in respect of executive powers exercised by the chairman. Perhaps, the strongest chairman of a municipality is to be found in Orissa where the chairman (president) exercises the powers of 'hiring and firing' the staff. The extreme position may be noticed in Andhra Pradesh where the executive officer (municipal secretary) is practically reduced to the position of a glorified clerk. The municipal staff receive executive

<sup>4</sup>The Central Committee is being replaced by the Standing Committee after the Bombay pattern.

directions directly from the municipal secretary and the chairman.

The committee system in district municipalities is indicative of trends similar to those in the city corporations. Generally the committees operate on functional basis without seeking an integrated approach to civic administration, except that the service committee and the Chairman of the municipality tend to offer coordination in restricted fields. Maharashtra presents a different picture. Under the inspiration of the Zila Parishad pattern, an integrated system is introduced. There is the standing committee with the president of the municipality as its chairman, the vice-president as its vice-chairman, chairmen of subject committees and few elected councillors as members of the standing committee. The council, the standing committee and the subject committee operate on the basis of graded hierarchy. The Andhra Pradesh Municipalities Act of 1965 has dispensed with the committee system. It stipulates the executive committee as the only statutory committee. It is one of the four municipal authorities; the council, the chairman and the municipal secretary being the other authorities.

If the municipalities suffer from lack of effective administrative and political direction, the city corporation's serious drawback stems from ineffective political leadership. In fact, political leadership both in the city corporations and the municipalities is of dispersed character. With a large council and a multiplicity of committees having plural character operating as uncoordinated centres and semi-centres of decision-making, neither the council, nor the committees or the chairman in the municipality or the city corporation can provide executive direction. The arrangement has adversely affected the efficacy of the institution of the municipal commissioner intended to ensure integrated, efficient and de-politicised municipal administration.

If the present arrangement of ineffective political leadership has generated functional contradiction, the commissioner's rule-minded approach to civic problems causes deadlock with the elected wing and thereby, inertia in administration. However, in some cities the need for a separate managing body seems to have been perceived. One may note a positive effort made in the City Corporations of Hyderabad, Bombay and Delhi and those of U.P., where the Standing Committee/Executive Committee by virtue of its statutory position and/or service functions relating to finance and personnel, tends to assume the role of a principal committee. It would have emerged even more clearly something like a cabinet but for certain inhibiting factors, *i.e.*, its membership on the basis of proportional representation, annual election of its chairman and members, the executive role of the subject committees and the accessibility of the commissioner to the council. Membership on the basis of proportional representation places premium on minority groups and parties and prevents the standing committee from acquiring a homogeneous character distinctive of cabinet form.

of executive. Annual election of its chairman and members weakens their position in relation to the administrative wing particularly the commissioner who outstays them. The executive role of the subject committees results in the fragmentation of responsibility and policy-decisions, while the accessibility of the commissioner to the council undermines the role of standing committee in affording effective executive direction and leadership.

In the municipalities where the executive authority is shared by a number of municipal authorities, there is fragmentation of decisions and conflict of authority, although sometimes the chairman by dint of his personality and prestige and the finance committee by virtue of its financial authority may find himself/itself in the position of a coordinator.

The Maharashtra pattern of committees which is based on an integrated approach to administration deserves special mention. There are two categories of committees: the standing committee, a principal committee and the subject committees. The standing committee is designed to function as the local cabinet for all practical purposes. Functionally and organically, it is connected with subject committees. Thus most of the decisions of the subject committees are routed to the parent body through the standing committee. Further, the chairmen of the subject committees are *ex officio* members of the standing committee. All this has brought the standing committee closer to the cabinet form of executive—closer than its counterpart in the city corporations. But it is constrained to assume the role of a true municipal cabinet for several reasons. First, the plural character of the subject committees will militate against the maintenance of a close and helpful administrative relationship with the standing committee as the chief executive. Secondly, with the heterogeneous group of persons at the helm, the delicate relationship that exists between the political and permanent executives, is subjected to great strain. Thirdly, each committee with a member of the standing committee in the chair, with final decision-making powers and constituting a bridge between the standing committee and the departments, develops itself into a self-contained, self-sufficient and self-important authority undermining the importance of the standing committee as chief executive. Finally, the fibre of political parties and consequently of the standing committee gets weakened in the presence of the subject committees with executive powers.

The executive committee of the Andhra municipalities seems to present a better picture. It is more like a municipal cabinet than the standing committees of the city corporations and of the Maharashtra municipalities. The Andhra Pradesh Municipalities Act has replaced the committees by a single committee, *i.e.*, the executive committee. It is elected by the council every year on the basis of proportional representation. But the council has no right to dissolve it before the expiry of the term. The executive committee exercises executive powers for the purpose of carrying out the provisions of the Act and is directly responsible for the due fulfilment of

statutory provisions. It is charged with carrying into effect the resolutions of the council and with the reporting of the progress made from time to time. In short, it is a definite improvement on the standing committees of the city corporations and of the Maharashtra municipalities. However, the executive committee suffers from the same serious limitations as the standing committee, preventing it from emerging as a real 'municipal cabinet' which is dependent on the parent body for its existence. As mentioned earlier, short and fixed term, the principle of proportional representation and the accessibility of the commissioner have worked against its emergence as a full-fledged municipal cabinet.

The situation is super-charged by political and sociological factors. In the absence of well-organized party system, the committees do not have ideological drive, coherence and consistency. The civic bodies have been failing to attract persons of calibre because of inadequate scope of the services for the people resulting from rigid State control. The sociological climate of a pluralist society in general, and urban community in particular, seems to be another inhibiting factor. Thus parties have not articulated effectively the pluralism of interests and opinions. Then, being a tradition-oriented society, the bonds of kinship, religion, caste, language, etc., are strong. A person in position is despised as inhuman if he does not acknowledge it as his duty to help his needy friends and relatives in securing employment. The proximity of the councillors to the constituencies and the difficulty in subjecting them to any code of conduct or discipline tend to make them susceptible, as members and chairmen of the committees to ill-practices.

### III

A few changes of far-reaching effect should be contemplated if the standing committee and the executive committee which contain the germs of a true policy committee, is to function in an effective manner like a cabinet combining the roles of a sole spokesman of the council and the main tool of administrative control. This entails the incorporation of the essence of cabinet form of executive, if they are to be developed into a true municipal cabinet. First, there should be a single executive committee and all other committees should act as merely deliberative rather than executive committees. Secondly, the leader of the majority party in the council who would be its chairman, should nominate its members. Thirdly, the chairmanship of the council and the proposed executive committee should not be combined in the same hands, lest it should amount to calling upon the 'Speaker' to act as the 'Prime Minister'. Fourthly, the executive committee should be collectively responsible to the council and ultimately dependent on it for support for its actions. Finally, the Municipal Commissioner should function under the overall supervision of the executive committee

and must not have direct access to the council.

More or less on the above lines, reforms in local government are being contemplated in U.K., the home of local government by committees. Thus the Maud Committee on *Management of Local Government* has made recommendations for the creation of the Management Board of Councilors charged with overall supervision and direction of local administration. The committees would be generally deliberative and advisory bodies.

However the recommendation of the Maud Committee that the Management Board should be composed of members drawn from both the majority and minority parties is unacceptable. For, the real decisions of the Board would be taken at private meetings of the party without the benefit of the advice from officers, reducing the Board into an organ of registration of such decisions. Further, the Board with plural character leads to 'divided' government that can hardly provide coherent and consistent leadership to administration.

An undiluted cabinet form of municipal executive may be favoured for a variety of reasons. In the first place, beyond the loaves and fishes there is the pursuit of 'power' and 'service' to the people that attracts some of the best available talented persons. Both the elements—power and service—lack in the existing forms of municipal bodies. The power and prestige attached to cabinet form of executive and the scope for service to the people will attract talented persons. The local council which is generally a talking shop without being effective in decision-making, can have purposeful discussion with qualitative improvement in political leadership.

Secondly, if the local bodies are to provide training grounds for politicians aspiring to positions at higher levels, there should be identical forms of government at all levels—national, state and local. Municipal bodies have tried almost all conceivable forms of executive except the cabinet form, which is the pattern of executive at national and state levels. Further, it is the form with which the country is familiar for about 50 years—ever since Dyarchy was introduced under the Government of India Act, 1919.<sup>5</sup>

Thirdly, introduction of cabinet form of executive at local level will help improve the working of its counterpart at the State level. Cabinet form of government is based on a regular conflict between political parties. The municipal bodies which are neglected by political parties will receive greater attention. In the absence of the operation of well-organised party system and, therefore, without any articulated civic programmes, the parties have hardly served as a means for maintaining coherence among the members of the committees in respect of their activities. Moreover, if cabinet form of municipal executive is adopted, it will remedy the situation causing

<sup>5</sup>The Presidential type of executive is unacceptable. For, it is alien to Indian soil. Further, it is not an answer to the present ills of municipal government known for discord and divisions between the executive and deliberative wings.

floor-crossing in the State legislature. The State politicians indulge in frequently changing their political loyalties with impunity. If cabinet form of executive is extended to the local level, because of their proximity and relatively smaller constituencies, the turncoats will be subjected to greater exposure and thus the disease could be properly diagnosed by their voters. Although this may amount to the transfer of the headache to the local bodies, the disease will not only have limited effect but also it can be effectively checked.

Finally, with the improvement of the quality of political leadership, the administration can expect 'protection' against the excesses of local democracy. Thus with the local ministers occupying treasury benches, the system will develop a shock-absorber in the political executive for the administration in relation to the council, conceding the former full operational freedom and thereby, making local government more attractive to talented persons.

To start with, the cabinet form of municipal executive may be tried on experimental basis in the metropolitan cities before they are extended to medium size cities. The logical outcome of the acceptance of cabinet form of executive is that the members of the proposed standing committee will be available on full-time basis. This should entitle the members payment of salary like their counterparts at state and national levels. The membership of the cabinet should, however, be restricted to five or seven. ☐

# REFORMS IN MUNICIPAL FINANCIAL ADMINISTRATION

ABHIJIT DATTA

Municipal financial administration, in the Indian context, has two facets: one relating to the internal financial management of the municipal authorities, and the other concerning the pattern of external control of municipal finances by the State government. Both these features of financial administration form part of the broader questions of municipal management structure and State-municipal relations. The present paper would necessarily touch upon these broader questions, but more specifically it would consider the relevance of certain norms and concepts of financial administration prevalent at the upper-levels of government to the municipal field. The extent to which divergence or similarity in financial administration is called for, between the municipal authorities on the one hand and the State and Central governments on the other, would also be examined. Finally, the main directions of reform in municipal financial administration would be highlighted in a concluding section.

## FRAMEWORK OF FINANCIAL ADMINISTRATION

The general management framework of municipal government in India is radically different from that of the upper-level governments. This has important and far-reaching implications for the entire system of municipal financial administration. At the upper-tiers of government, the system of financial administration is designed to subserve the needs of financial control—in the legislative, executive and audit fields. No such explicit requirement is discernible at the municipal level. The reasons seem to be two: (a) the integration of legislative and executive powers in the municipal council makes it difficult for its executive committee to function as an inquisitorial body as well, and (b) the separation of executive powers and functions in municipal government cannot accommodate the existence of an independent finance officer responsible only to the municipal council or its executive committee. These two distinctive features of municipal government—the first adopted from the English practice of local government, while the second being a product of indigenous colonial past—militate against the adoption of the familiar tools of legislative or



executive control of public expenditure in the municipal sphere. This leaves the system of external audit by the State government as the only meaningful instrument of controlling municipal expenditure. Where the external auditor is appointed by the municipal council, as in Delhi and Bombay, he acts as an adviser to the executive (standing) committee of the council (corporation) and thereby sharpens the conflict between the deliberative and the executive wings.

The questions that arise out of this confused state of municipal financial control, therefore, would be; firstly, are there enough justifications to accept the prevalent management structure of municipal government, which makes the operation of any rational system of internal financial control impossible and secondly, is it possible to devise a system of external financial control consistent with the autonomous character of municipal government? A brief examination of these two questions is called for before entering into other substantive aspects of municipal financial administration.

*Internal Machinery* : We have already noted the integration of legislative and executive powers in the municipal government. This integration stands in the way of the emergence of a single-party executive. The statutory standing (finance) committee acts both as the executive, and its critic. On the other hand, due to the separation of executive powers and functions in the municipal sphere, the municipal executive functionary combines in him the responsibilities of spending municipal funds as well as controlling its misuse. In the non-representative *ad hoc* public authorities in India, there is usually a financial adviser, who acts as a representative of the finance department of the government and exercises treasury functions of expenditure control in these authorities. In the case of municipal government, however, since executive powers and functions are already divided, the executive functionary is not similarly weakened in the exercise of his responsibilities. The result of this arrangement is the lack of treasury control of municipal expenditure.

With the acceptance of party politics in municipal government, its non-partisan machinery has come in for a good deal of criticism. Moreover, when the executive functionary is an appointed official, as in the case of municipal corporations, the anxiety of the elected members to exercise executive powers finds expression in open hostility towards the appointed officials. This sometimes gives the impression that in our municipal corporations the elected members are in permanent opposition to the appointed civil servants.

Various reform proposals have been suggested to remedy the existing management structure of municipal government through an accommodation of the party system in the machinery of government and the realisation

of the need for a political executive in charge of its day-to-day activities.<sup>1</sup> This would, in effect, be taking lessons from the organisation of upper-levels of government and as its corollary, introducing the familiar methods of controlling public expenditure in municipal government.

*External Machinery:* The external control of municipal expenditure is exercised by the State governments in two ways: (a) through the power to sanction municipal budgets or expenditure beyond a certain sum, and (b) through the appointment of auditors to examine municipal accounts.

The municipal corporations in India are not generally required to obtain State sanction of their expenditure or budgets, but in the case of municipalities this is by no means unusual. For instance, in Rajasthan every proposal of a municipal council for expenditure exceeding Rs. 5,000 needs State sanction, even when there is provision for it in the budget. Again, in a number of States, like Assam, Kerala, Madhya Pradesh, Tamil Nadu, Orissa and Rajasthan, municipal budgets require sanction from the State governments, while in the States of Maharashtra, Uttar Pradesh and West Bengal only the budgets of the indebted municipalities are to be approved by the state authorities. Many of the State governments do not have adequate machinery for scrutinising these budgets within a limited time schedule. Moreover, such requirements are not conducive to the growth of responsible self-governing institutions, like the municipalities. The purpose of such State sanction can be adequately served through the codification of financial and budgetary rules in sufficient details for compliance by the municipalities.

With regard to municipal audit, the State governments have the powers to appoint auditors to examine annual accounts or for purposes of a special audit. The Municipal Corporations of Delhi, Bombay and a few others (governed under the Bombay Provincial Municipal Corporations Act, 1949) have powers to appoint their own auditors for regular external audit.

Although public audit at the Centre and the States is conducted by the Comptroller and Auditor General of India through various Accountants General, local audit being a State subject since the days of Montagu-Chelmsford Reforms, the State governments have their own local audit sections under their finance departments. Only in two States, West Bengal and Bihar, local audit still remains the responsibilities of the respective Accountants General who report to the State finance departments. There are obvious advantages in concentrating audit responsibilities away from the direct control of the State government, and in this respect West Bengal and Bihar score a point over the arrangements in other States. The difficulty of purely municipal auditors under the existing management

<sup>1</sup>See in this connection, *Cabinet System in Municipal Government: Proceedings of the Seminar*, Indian Institute of Public Administration, New Delhi, 1970.

structure has already been pointed out; but, in case this is remodelled on the patterns existing at the State and Central levels, the municipal auditor can really act as the most potent instrumentality of the statutory standing (accounts) committee. In such a situation, all the municipal corporations may be empowered to appoint their own auditors on the Bombay-Delhi model.

On the question of remunerating the State appointed auditors from municipal funds, there is a point of view that the appointing authority must bear the expenses of audit, and the municipalities should not be required to pay for a responsibility which is not theirs. There could be two ways to meet the anomaly: (a) the State government must bear all expenses for special audit; in case of normal audit, the cost should at least be shared between the State government and the municipalities on the basis of the proportion of grants to the domestic municipal revenue, or (b) to allow the municipalities to appoint their own auditors, as in the case of registered societies. The plea of the State government that the existing practice benefits the municipal government is too credulous a view to be taken seriously.

#### INSTRUMENT OF FINANCIAL ADMINISTRATION

The main instruments of municipal financial administration relate to the form of municipal budget, accounting methods and audit procedure. We shall deal with each of these instruments separately and see how effective these are at present, and what could be the main lines of reform in these fields.

*Municipal Budget:* There are three potential areas of reform in the municipal budgetary structure in India. These relate to : (a) uniformity in budget layout, (b) performance budgeting, and (c) budgeting for long-term capital improvement programmes.

Unlike the State and Central budgets, where the budgetary heads of accounts are prescribed by one single authority—the Comptroller and Auditor General—municipal budgets vary from State to State and from one type of authority to another. In some cases, the municipal budget format is laid down in the government legislation or in the rules made thereunder, while in the other cases these are left to be determined by the municipal authorities themselves. There is, therefore, a need to evolve some standardisation in municipal budgetary framework so as to enable comparative analysis of financial data.

The more radical departure from the existing budgetary system of all the levels of government is the introduction of performance budgeting. Already the Central government is committed to the conversion, thanks to the Administrative Reforms Commission's recommendations, and the time is not far when the States also would follow suit. Unfortunately, similar efforts are not being made for the municipal budgets where such

conversion is relatively easier due to the more meaningful classification of municipal functions and the nature of municipal activities as such. There is no doubt that municipal budgets in this respect are far superior to the State and Central budgets and a smaller proportionate investment of resources would yield a much larger pay-off in the municipal field to use the budget as an instrument of management and informed decision-making.

The third aspect of municipal budgetary reform relates to its capital improvement programmes. Here necessary reforms are needed in two directions: firstly definition of 'capital' expenditure financed through borrowing will have to be more rigid and uniform throughout the country; and secondly, municipal budgets must be related more integrally to both local and State planning efforts.

The first requirement flows from the statutory operational restrictions within which the municipalities are to function so that the dangers of unsound borrowing are more obvious at the local, rather than at the national level. From this point of view, the purposes for which the local authorities are allowed to borrow—under the Local Authorities Loans Act, 1914—need to be revised. Apart from borrowing, even for accounting classification also, municipal capital expenditures should be defined more precisely for a reasonable length of time, preferably by a Central agency, like the Comptroller and Auditor General. Lack of such precise rules at the Central level, more particularly for sanctioning plan loans to the States, has created the problem of uncovered deficits at the Centre financed through currency creation and illusory borrowing by the States. It would be dangerous to bring in the municipalities in this game of self-deception. The second requirement, when fulfilled, would obviate the need for opting for separate capital budgets of the American municipal variety and would substantially take care of the problem of financing various urban development schemes. At present, these are being financed rather sporadically and each independent function is separately financed without proper regard for their areal coordination in the municipal areas. Moreover, the absence of planning exercise by the municipalities and the formulation of State plans without regard for the needs of civic facilities introduce a kind of plan assistance which does not take care of the local priorities. There is no local sector in the State plan, as a corollary to the State sector in the national plan. When both the municipal and State plans are related to each other, municipal budget-making for capital improvement purposes becomes plan oriented, and the budgetary classification and layout also takes care of the plan and non-plan components together.

✓ *Municipal Accounts:* Major reforms in municipal accounting are needed mainly in two directions: (a) adoption of commercial accounting in municipal enterprise activities, and (b) relating municipal accounting to the needs of management.

Following the practice in government accounting, the system evolved for maintaining municipal accounts in India pays scant attention to the peculiar needs of those municipal activities which are either fee-financed, or financed through the levy of specific taxes. Many of these services are in the nature of 'private goods', where their consumption is tied with the payment of service charges. It is necessary, in this situation, to have a detailed accounting of not only their operating cost, but also marginal cost. Unfortunately, the various municipal accounts codes or manuals do not go into the details of this type of calculation at all. Only in the case of electricity undertakings, the municipalities have to maintain some kind of commercial accounting prescribed under the Indian Electricity Act, 1910. There is, however, provisions in the legislations governing the corporations of Delhi, Bombay and a few others (under the Bombay Provincial Municipal Corporations Act, 1949) for preparing separate budgets in respect of the municipal utilities like water supply and sewerage, transport and electricity. The Gujarat municipalities also have to prepare separate budgets for their transport undertakings.

It is much easier to relate municipal accounting to the needs of municipal management for the simple reason that accounting is an internal responsibility of the municipal organisation. In the case of the State and Central governments, the executive is somewhat isolated from the accounting processes, as the entire public accounting is done by the Comptroller and Auditor General. However, the tradition of regarding accounting as a mere recording device exists at all the levels of government. Municipal accounting, in this respect, has a good deal in common with commercial concerns and there is no reason why advantage should not be taken of this situation. Management information system can be built around the various existing accounting abstracts and statements and passed on to relevant departments and the chief executive for necessary action. Also, the accounts department may be encouraged to undertake useful financial and economic appraisals of various expenditure proposals of the council. Renaming its chief officer as the chief finance officer and creating a somewhat broader finance department, of which accounts would be an important segment, might be helpful in bringing about necessary reorientation. ✓

*Municipal Audit* : Changes in municipal audit practices may be visualised in two ways : (a) emphasising the role of the auditor as an examiner of accounts, and (b) introducing an element of progressivity in audit evaluation.

Due to historical reasons, the local auditor has assumed the nature of a blood-hound and not a watch-dog of municipal expenditure. Although the medieval concept of the English district auditor has not been fully imported into the Indian soil, still the various local fund audit legislations contain elaborate provisions of, surcharge with necessary backing of the

State government. The concept of surcharge is out of keeping with the spirit of self-government, both in the way it exercises restraints on a politically responsible executive, as also in putting the auditor in the position of a prosecutor. In case the local executive transgresses the law, the duty of the auditor is to merely point it out and let the concerned interests—the municipal council, municipal voters or the State government—to take suitable action. Even in England, the system of district audit is by no means universally followed by all the local authorities, and a recent English committee has criticised the system of surcharge as out of keeping with the spirit of times and suggested its abolition<sup>2</sup>. In India, without the traditional sanctity for the present method, it would be easier to bring about necessary change.

The second aspect of audit, that is to say, the question of introducing an element of administrative realism and broadening the framework of audit, is much more difficult to achieve. To an extent an element of understanding can be promoted through an interchangeability of accounts and audit personnel in the municipal sphere. Here the separate personnel system in many of our municipal authorities might come in the way. Introduction of common training programmes for the municipal accounts and the external audit personnel, as also reciprocal interchange of officers on deputation might be tried.

To what extent it would be possible to emulate the American system of progressive audit, where not only the legal requirements, but more importantly, the welfare of the community is the test of expenditure evaluation, is difficult to visualise. But there is no doubt that our local audit, as also Central audit, would be considerably effective with the application of objective, economic rather than mere legal, criteria for assessing the propriety of municipal expenditure.

### CONCLUSION

We have discussed enough to highlight some of the peculiar as well as more familiar features of municipal financial administration, compared with the system at the higher levels of government. Broadly speaking, we came to the conclusion that without a thorough management reform of municipal government, the wellknown concepts of control of public expenditure (and its corollary, financial delegation) cannot be meaningfully applied in the municipal sphere. Secondly, and more importantly, any worthwhile reform in the existing instruments of municipal financial administration must be accompanied by suitable modifications in State-municipal relations so as to make municipal government more responsible and responsive. □

<sup>2</sup>*Report of the Committee on Management of Local Government*, HMSO, London 1967, p. 82.

# MUNICIPAL DECISION-MAKING

MOHIT BHATTACHARYA

Our purpose in this paper is mainly to understand the processes involved in municipal decision-making. Writers like Chester Barnard and Herbert Simon have pointed out the crucial nature of decision-making in the life of an organization. The centrality of the subject has provoked research and studies of decision-making from a variety of standpoints using mathematics and statistics and the resources of other disciplines such as psychology, economics and political science. We would, however, like to concentrate on the basic administrative processes involved in decision-making in the municipal context. More pointedly, our substantive interest is in finding out the surrounding forces and the internal dynamics of a decision-making process.

## TWO MAJOR TYPES OF DECISIONS

For a moment, we may recapitulate Simon's distinction between 'programmed' and 'non-programmed' decisions. In municipal administration as elsewhere, many decisions are taken without much difficulty. These relate to routine actions for which an organization evolves through learning set operating procedures. How tenders and contracts have to be dealt with, when should property tax bills be sent to citizens, on what basis trade licences should be issued—all these and, in fact, most municipal operations have been sought to be formalised in order that actions can be taken effortlessly. As Gore explains, "Any organization must accommodate to many unanticipated situations, but for core of a stable collective enterprise is a repertory of proven, reliable productive activities that move directly toward goals and that are activated, monitored, and terminated by an appropriate set of habituated routine decisions."<sup>1</sup>

The 'non-programmed' decisions, on the other hand, relate to issues for which not much organizational experience is available. These are non-recurring in nature and involve dealing with unstructured situation. Two main

<sup>1</sup>William J. Gore, "Decision-Making Research: Some Prospects and Limitations", in Sidney Mailick and Edward H. Van Ness (eds.), *Concepts and Issues in Administrative Behaviour*, Prentice Hall, 1962.

elements of decision, as pointed out by Thompson and Tuden, are differential consequences of the several alternative courses of action in a multi-choice situation, and evaluation of the potential outcomes on some scale of desirability.<sup>2</sup> In a non-programmed decision situation, the most difficult task is to anticipate possible future consequences of action. When a new department of urban community development or a new cell for municipal commercial projects is to be set up, possibly a series of decisions would have to be taken and not just one single decision, and the consequences that might follow in the years to come from the decisions would be hard to predict. It is not uncommon, therefore, for administrators to 'muddle through', when faced with major decisional situations. In the municipal context, the civic bureaucracy has also to reckon with probable 'post decisional conflicts' with councillors which might be triggered by the decisions. For all these reasons, non-programmed decisions are as problematic for municipal administration as for any other organization.

#### PECULIARITIES OF MUNICIPAL ORGANIZATION

Both types of decisions—programmed and non-programmed—are greatly dependent on the structure of an organization. Even where an organization has formulated elaborate rules and operating procedures to deal with a structured situation, there may be a chain of levels in the organization involved in the decision-process. Any malfunctioning at one level might delay or block the process. This is quite common with municipal actions in relation to many day-to-day problems such as granting of building permission and water supply connection, removal of unauthorised constructions and so on. Note, for instance, the steps that have been prescribed by the Delhi Municipal Corporation for the sanctioning of building plans. The procedure as laid down in the Manual of Instructions of the Buildings Department of the Corporation is as follows :

1. Building plans when received shall be entered in a register to be maintained by the tax clerk. The tax clerk after receiving the plans will give acknowledgement to the applicant indicating therein the date on which the architect can make corrections in the plans and the date on which the case will be put up before the Building Plan Committee. This date should be after a minimum of 9 days and a maximum of 15 days from the date of receipt. The plans shall then be handed over to the concerned Section Officer/ Building Inspector on the same day after giving the file number, etc.

<sup>2</sup>James D. Thompson and Arthur Tuden, "Strategies in Decision-Making", in Fremont J. Lyden George A. Shipman, and Morton Kroll (eds.), *Policies, Decisions and Organization*, Appleton-Century-Crofts, New York, 1969.



2. The Section Officer/Building Inspector after receiving the files shall enter them in a register to be maintained by him.
3. The Section Officer/Building Inspector shall inspect the site and scrutinise the plan with reference to the Building By-laws and the Master Plan and will put it up before the Assistant Engineer within one week of the receipt of the file by him.
4. After checking up the report of the Section Officer/Building Inspector, the Assistant Engineer will give his recommendation on the file for sanction or rejection of the plan. If the Assistant Engineer finds that some information is required to be called for from the applicant under Section 335 (2), he shall issue orders for issuing invalid notice, informing the applicant that the plan submitted by him is incomplete and therefore invalid and ask him to supply the necessary information.
5. After the Assistant Engineer has given his recommendations for sanction or rejection of the plans, an agenda will be prepared for the Building Plan Committee meeting. A brief note giving the particulars, factual position of the case incorporating the recommendations of Assistant Engineer will be given in the agenda for every case.
6. After the case is decided in the meeting, sanction or rejection according to the decision shall be communicated to the party without any delay.

The entire process through which to arrive at a decision has been carefully formulated and responsibilities have been clearly fixed as to who will do what part of the job. The tax clerk has to inform the applicant about the period within which changes can be made by Architect. The Building Inspector has to go to the site and examine the plan. The Assistant Engineer has to recommend to the committee what action should be taken on the application. The Building Inspector's spot inspection provides the verified data which would be used by the Assistant Engineer in addition to the information already available in the formal plan submitted by the applicant. The Building Plan Committee that has ultimately to decide about the fate of the application, has to rely on whatever data would be supplied by the Assistant Engineer. On the face of it, the entire process, as shown in Fig. 1, smacks of rationality, and impersonality. Once an applicant approaches the Corporation for a decision on his building plan, the mechanical process would be set in motion and the decision will come out automatically. It is, however, well-known that the process is not as smooth-flowing as the diagram shows it to be. Any default or malfunctioning at any one of the points in the administrative chain will give rise to delay in final decision. Also, there may be interferences in the interfaces between two positions. To quote Jagannadham and Bakshi, who

## CONVERSION PROCESS

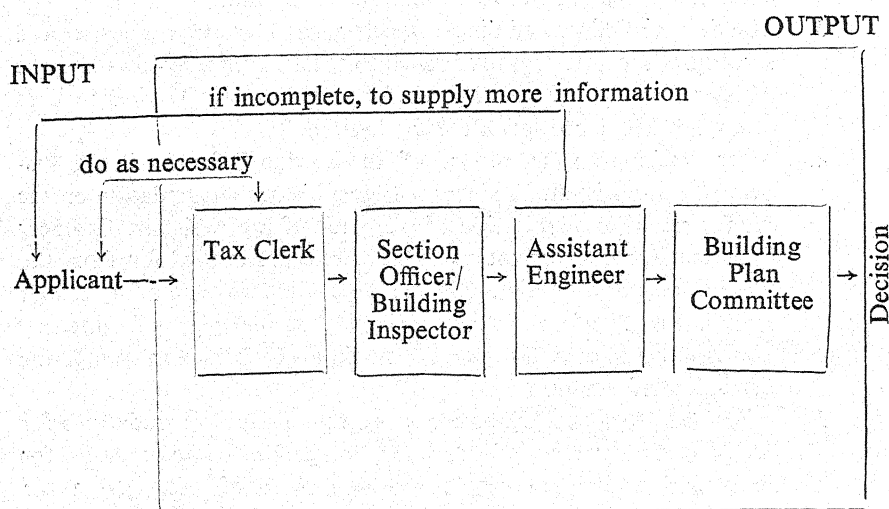


FIG. 1

did a study of the Buildings Department of the Municipal Corporation of Delhi :

“It is not so much the absence of instructions as the failure to follow the instructions and, perhaps, inadequate supervision to ensure that the instructions are followed that are mainly responsible for the delays in the sanction of building plans.”<sup>3</sup>

It confirms our earlier observation that if there is malfunctioning at any point in a decision process, there will be blocks and delays in decision-making.

What is important from our point of view is that this is a typical example of a formalised operative procedure to make recurring decisions. We now turn to the other type of non-recurring or non-programmed decision-making to reveal the complexities involved in an unstructured situation. The criticality of this second type of decision-making rests on the fact that it often raises basic questions about the values an organization cherishes. It might even lead to disruption in habitual working procedures and stresses within the organization. This explains continued attachments of organizations to precedent bound and rule-oriented routine decisions and general reluctance to opt for innovative decisions. In the

<sup>3</sup>V. Jagannadham and N.S. Bakshi, *Citizen and Municipal Bureaucracy*, Indian Institute of Public Administration, New Delhi, 1971, p.30.

municipal situation, the occasion for non-recurring decision-making is usually provided by the process of environment—municipality interaction, when a municipal organization has to negotiate a forceful demand from the citizens which seeks legitimization through its acceptance and a follow-up municipal action. More than any other level of government, the boundaries of municipal administration are exposed to encroachment by social influences. This process of encroachment is aggravated by the dual role that a municipal councillor is called upon to play. The councillor is more than a local legislator. The committee system provides him opportunity to play the role of a semi-administrator also, insofar as the committees are authorised to discharge some of the executive functions like appointing staff, dealing with tenders and contracts, sanctioning and supervising projects and so on. Besides, the close proximity of the councillor to his constituent often compels him to carry their demands and influences within the administrative arena. It appears from research evidence that these kinds of demands and influences are brought to bear to elicit municipal action on constituency-wide problems rather than city-wide issues. In decision parlance, most of these problems are amenable to routine operative procedures such as getting a water connection or a building permission. In the absence of any larger municipality-wide policy frame and councillor consensus on broader policy goals, municipal decision-making commonly revolves round nucleated personal problems of particular constituents. Ironically enough, it is routine decision for which formalised procedures are already available, that exhibits incipient disfunctionality in the shape of delay, conflict and harassment to the citizen.

#### CRITICAL DECISIONS

Perhaps in anticipation of possible confusion in decision-making in critical non-routine situations, the Municipal Acts provide for suitable checks by the state government. In important budgetary decisions like creating new posts and departments, selling of property, etc., there are provisions for prior state approval. The legislative scheme is such that the state can intervene in extraordinary situation and in crisis and even pre-empt municipal decisional jurisdiction.

Let us now follow through an actual critical decision-making process in a medium-sized municipality. To gain electoral support, party A issued its election manifesto wherein it made a promise of transferring ownership of municipal shops to licensee traders. After winning the election, party A was in a majority in the council and went ahead with keeping the pledge. Now the municipality had to take a decision on transfer of ownership to the licensees. The steps that were taken ultimately to reach the decision are shown in Fig. 2. The process as depicted in Fig. 2

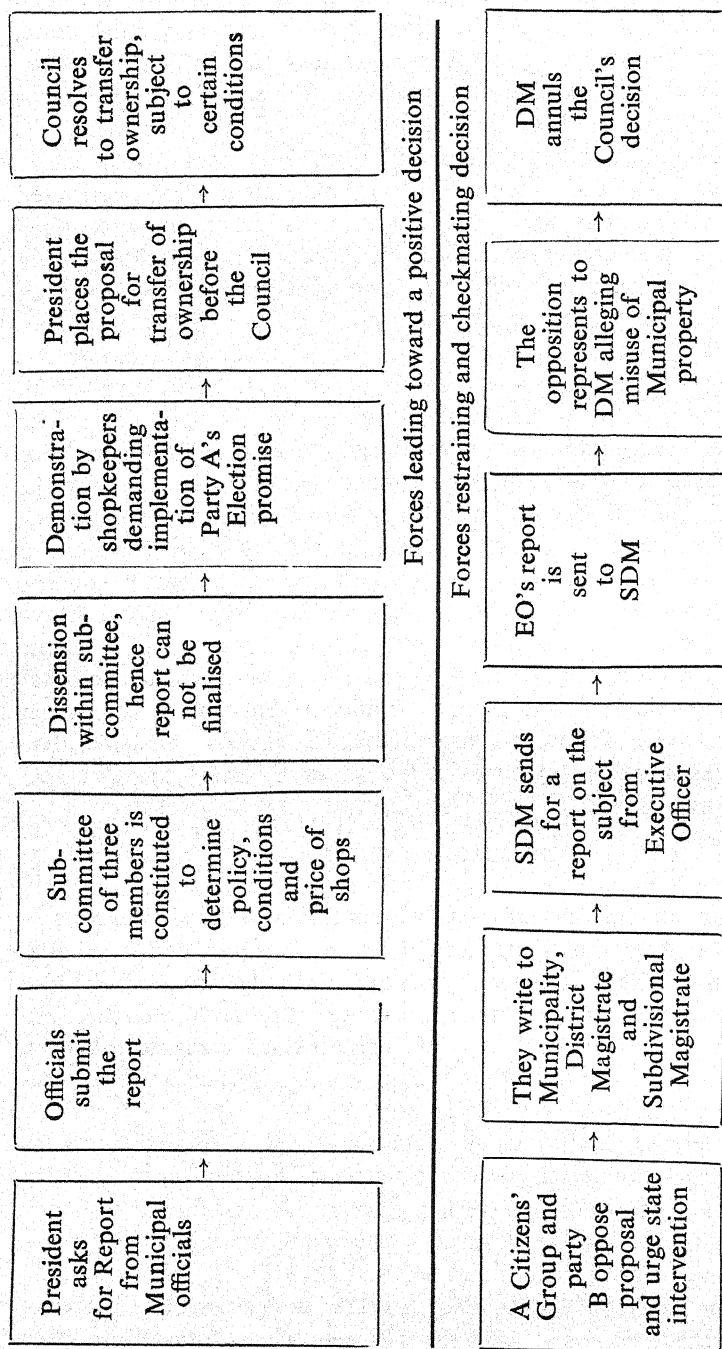


FIG. 2

NOTE : The author gratefully acknowledges indebtedness to his colleagues, Messrs. A. Datta and D.D. Malhotra for supplying the outline of this case.

reveals two kinds of forces shown on both sides of the dividing line—one driving towards a positive decision and another restraining and check-mating action. As the party A aided by demonstrating shopkeepers was trying to move quickly toward a positive decision in favour of transference of ownership of property, party B and the citizens' group were putting up resistance and seeking to restrain the move toward change. The situation typically exhibits the Lewinian dynamic balance among counterforces—the driving forces and the restraining forces.<sup>4</sup> The arena for decision-making was not confined within the four-walls of municipal administration. External elements such as the license traders and the citizens' group were attempting to influence the decision outcome in their favour. Outside the municipal administrative boundary, a parallel process started building up to checkmate municipal decision through state intervention. The two forces—driving and restraining—were moving in parallel lines, one inside the municipal arena and another outside it, each trying to outbid the other. In this win-lose game, each group was trying to strengthen its position *vis-a-vis* the other group. Party A had the demonstrating traders on its side since the election time. The opposition went out of the municipal arena to mobilise popular support from the citizens' group and sought state intervention to nullify the municipal decision.

One important feature in this case is that the municipal officials seemed to have vacated the arena and taken the posture of bystanders. It is the councillors who had completely captured whatever was there as 'administration'. The rudiments of a search process could be found in sub-committee formation. Once polarization had taken place between two contending groups, the stand taken by each group had become far more firm. If Party A was resolute in granting transfer of ownership, Party B was equally determined to block the decision. Both the groups were mobilising support from the interest groups in the environment. The state government including its field administration normally stands outside the municipal arena as one of the various elements in the environment. The opposition's initial attempt was to arouse public consciousness about the goings-on in the municipality and publicise the issue. As they felt convinced that the decision was going against their interest, they invited the state government inside the municipal administrative boundary. By calling for reports, etc., the government was observing statutory provisions. It was now a matter of moments to gatecrash into the municipal arena and pre-empt municipal decisional jurisdiction. The state had thus entered into the municipal boundary.

This is a case of political power game which is commonly visible in municipal administration. It demonstrates the strength of invisible *ad hoc*

<sup>4</sup>W. Jack Duncan, *Decision-Making and Social Issues*, The Dryden Press, Hinsdale, Illinois, 1973, pp.13-14.

support from the environment that provides sustenance to contending parties. One of the major causes leading to the frustration of the efforts of the party in power is lack of goal congruence between the battling groups. It proves the fragility of the municipal administrative boundary in a stress situation when the state encroaches upon the area and forfeits municipal claim to decision-making.

In analysing the second case, we have focussed on the intricacies of the interactional phenomenon which cannot be said to be peculiar to a non-programmed decision situation. To the extent such interactions would manifest themselves in the case of a programmed decision also, these partake of a regularised or systemic characteristic in the municipal organizational situation.<sup>5</sup>

The two cases reported here provide the starting point of a 'clinical' approach to municipal decision-making in India. Admittedly, more case studies are necessary to arrive at sounder generalizations regarding the decision processes in the municipal situation. □

<sup>5</sup> I am grateful to Prof. Ishwar Dayal for bringing this point to my notice.

# MUNICIPAL COMMISSIONER IN GUJARAT : STRUCTURE, PROCESS AND STYLE\*

ANIL BHATT

In Gujarat the municipal corporations are governed by the very old Bombay Province's Municipal Corporations Act of 1949. The Act envisages a complete dichotomy of roles and functions between the executive and deliberative wings of the municipal corporations. The deliberative wing is to take care of policy-making and sanctioning of programmes, projects and resources. The executive wing looks after the implementation.

The deliberative wing or the general board as it is called, consists of all the elected corporators and is presided over by the Mayor. The executive wing is headed by the municipal commissioner. There is a third body called standing committee which, though formed from among the members of the general board, has a separate identity insofar as it is given a statutory status. It is also important because it performs some functions which can be considered as executive in nature. All important proposals are filtered through this committee and since this committee, by convention, has the representation of all political parties, what is cleared in this committee is generally likely to be cleared by the general board also. The standing committee has also certain powers of promotion and discipline of the officers. As this is the most important committee and in some respects more important than even the general board, usually a powerful political leader from the ruling group holds its chairmanship but mayor, by convention, does not become its chairman.

## II

Not only the Corporation Act envisages a complete dichotomy between the legislative and executive functions but also makes executive very strong. The commissioner who is appointed by the state government on a three year term basis is the sole head of the executive branch. He belongs

\*The observations made in this paper are based on unstructured but indepth interviews with commissioners, corporators and officials and two indepth case studies.

to IAS cadre and he is a senior administrator at least of the level of deputy secretary.

The municipal commissioner's position is made very powerful and quite independent of the elected body. Though a commissioner can be removed by five-eighths of all the councillors, this is a power only in name as it has never been put to use as yet. The whole municipal administration is directly under the commissioner and the heads of the various departments report only to him or his deputy. Legally the municipal officers are not supposed to take any orders or instructions directly from the elected corporators. If a commissioner so desires, he can prevent his officers from even meeting the corporators. The powers of the municipal commissioner are very wide. He prepares the municipal budget. He takes to the general board all proposals for various programmes and projects. The general board can act only when proposals are brought on its floor by the commissioner. It has no powers to formulate new proposals although it can suggest to commissioner to prepare a proposal on any issue. But legally it is up to the commissioner to act on such a suggestion. Even after the proposal is sent to the board meeting the commissioner has a right to withdraw it. Although commissioners attend the standing committee meetings they are not obliged to do so. The commissioners have right to summon the standing committee meeting within twenty-four hours. He has also a right not to answer any question in the corporation meeting on the grounds that it can be detrimental to the interests of the corporation or that the information called for is confidential.

The role of the municipal commissioner is visualized as a guardian of the larger city interest and also the guardian of the state government *vis-a-vis* the elected corporators who (it is suspected) may be swayed by the narrow personal or partisan considerations. The Act has made the commissioner's position so strong that the underlying distrust of the representative body becomes apparent.

On the whole, the corporation government in Gujarat is a much more decentralized structure as compared to other forms of local government—rural or urban. The state government does not exercise much direct or detail control over the municipal corporations as compared to municipalities or panchayati raj bodies. But decentralization is largely administrative rather than democratic as all important powers are vested with the state appointed commissioners. The structure of corporation government has been widely criticized as undemocratic. The elected corporators have also resented the location of all executive powers with the commissioner. A proposal to adopt a cabinet form of government, 'Mayor-in-Council' form, has been floated.

The position of the municipal commissioner is very glamorous. He is the chief executive of a city and as such is in limelight. He has more



frequent opportunities to be in public and in press. He formulates and administers a budget amounting to several millions of rupees. With a great deal of emphasis on urban development he launches and presides over prestigious projects. Many things that he may do in the city may bear his stamp and he can hope to leave his name behind. His position at least as visualized in the Act is quite independent; the elected body has very little formal control over the commissioner and the control of the state government is mostly remote and of general nature. The commissioner's position is thus much more glamorous than many of his colleagues in the regular government departments at the state level.

### III

The reality, however, is quite different. The patterns of politics shaped in last thirty years by highly competitive political process have been working upon and modifying the independence and strength of the commissioner.

According to the Act the mayor's position is very weak as compared to the commissioner. His position is not only not comparable to the chief minister but it is also not comparable to the Governor as the mayor does not have any emergency powers. His position is perhaps comparable to the speaker of the state assembly. Like the speaker, his main job is to preside over the general board meeting and regulate its proceedings. As a first citizen, he performs ceremonial functions. In fact, as compared to the mayor, the chairman of the standing committee occupies a stronger position. One would, therefore, think that a powerful, strong and senior city leader would not like to become a mayor; rather he would prefer to be a chairman of the standing committee. Yet all top city leaders prefer to become mayors because they know that in reality they wield lot of power and have considerable say in municipal decision-making.

The commissioner finds that although the executive function is in his charge and it is quite separate and independent of the elected wing, he and his administration are being constantly approached and pressurized by elected corporators not only about the large projects or major issues facing the city but also for things pertaining to day-to-day administration. Whether it is a major long-term issue like town planning or an issue of day-to-day administration like erecting a public water standpost, the commissioner has to pay attention to political leader's demands. Moreover, often he is pressurized to do things against the accepted policies, procedures and priorities. The Commissioner is responsible for everything that the corporation does because he is the final authority and without his approval nothing can be done. But he is compelled to do things which he often does not approve. He is thus in an unenviable position of being held responsible for the irregularities he may have to

commit by the demands of and for the benefit of the political leaders.

The reason why the elected councillors pressurize the administration is obvious. Their survival depends on it. The average citizen evaluates the performance of a corporator not in terms of his protecting the larger city interests or his long-term comprehensive plans for the city development but for small and odd favours he is able to extend to his constituents for their day-to-day needs. His performance is evaluated in terms of how many jobs, licences and permits he is able to get; whether he can get a road repaired quickly or not; whether he can get the water connection extended and whether he can prevent defaulters from being punished by the corporation administration. The corporator has not only to see that he gets things done for his constituents but he has to prevent his rivals from getting too many things done. Sometimes the commissioner and his administration are under crosspressures. They are pressurized to do a particular thing and also pressurized not to do it.

#### IV

There are several reasons why a commissioner is subject to political pressures and why his position is not as strong and as independent as the law provides or as some analysts, guided alone by the book, fear.

Although formally legislators are concerned with only legislation they become more active at the time of implementation. The councillors may be compelled to take a particular policy decision in order to maintain certain ideological or democratic postures but they may pressurize the administration to do things against these policy decisions. The tendency of the corporators is to activate their power and influence at the time of implementation rather than legislation. For instance, at a general policy level, corporators may agree to a particular town plan or to a particular octroi policy but may later on pressurize the administration to modify or delay its implementation. This pattern is to be found at even higher levels of government but this is more pronounced and frequent at local levels. Councillors are found to be pressurizing municipal administration for delaying or withdrawing encroachment cases and adulteration cases; they go to administration for exemption or reduction of octroi duties or water supply charges and similar things all the time.

Strategically it is more convenient for the councillors to bring pressures at the time of implementation. Since implementation is the responsibility of commissioner, the councillors find that they can get things done without being held responsible.

During my interviews I found a mayor strongly opposing the cabinet system type of structure for the municipal corporation and insisting on maintaining the present Legislative Assembly Speaker type of status for the mayors. I was surprised. Since cabinet system would give the mayor the position and powers equivalent to chief minister of the state, I had assumed

that mayors would generally want the cabinet system plan. When I asked the mayor that would not the cabinet system plan be better as that would directly and formally invest mayors with powers, he said that the present informal system was better otherwise mayor would become the target of political rivalries. "The present system works out well. Commissioners do cooperate with us."

Secondly, the elected corporators of the city, as their own constituency is small, are very close to what is being done, how, when and where. Most of the time they are present on the site when any work is being done in their constituencies. Often they supervise and instruct the staff in detail when actually the work is going on. Every corporator knows what is being done or not done in any part of the city. They can, therefore, immediately rush to the officers concerned or the commissioner even for minor matters.

Thirdly, it is easier for the elected corporators to be vocal and critical in public. They can easily criticize the commissioner or his administration in board meeting, press or public. The commissioner has no effective defence against this. He cannot go to the press or public to defend himself. The only way for him is to pacify the corporator concerned or to talk to the corporator's more senior colleagues and bring pressure on the corporator. In either case he has to pay the price by yielding to some political group or the other. In fact, this is a very common technique that the elected councillors adopt when they find that a commissioner is not yielding to their demands. This technique of public criticism is followed sometimes simply to show to the constituents that the elected leaders are strong, powerful and vigilant. In most cases when opposition groups want to criticize the ruling group, for favouritism, corruption, delay or other irregularities, the criticism is directed against the commissioner or a particular department under him, because legally the commissioner is responsible for everything. It does not matter if the criticism is entirely unfounded because once it is expressed on a public platform, the damage is done.

Another reason why commissioners feel compelled to keep the corporators pacified and satisfied is that in general, maintaining good relationship is considered to be only executive's burden. Whenever conflicts occur, the bureaucrats and politicians at higher level tend to believe that the commissioner is not tactful or does not know how to handle politicians.

In my conversations with administrators at state level about commissioners in conflict with elected wings most of the time the reaction was, "he got into trouble". One very common remark that occurred repeatedly in my conversation with commissioners, politicians and other officers was, "the commissioner has to be tactful." When pressed to elaborate and explain it was found that few, if any, had really given much thought about what exactly was meant by being tactful or what was really involved in being tactful.

In cases of conflicts it is generally the commissioner and his officers who begin to lose prestige as incompetents. In situations of severe conflicts it is the commissioners who suffer. Since elected councillors cannot be removed, it is the commissioners who get transferred.

Although the commissioner is a state official, appointed and transferred by the state government, his appointment in a particular city or his transfer from that city is controlled by the powerful city elite. The city elite have strong linkages with the state level politicians. Many state level politicians, particularly those representing the city in the state assembly, depend for their support and strength on the city politicians and, therefore, are compelled to oblige the local politicians. In some cases powerful city politicians have direct contacts with the senior administrators at the state level. The city politicians can get the man they want as commissioner or get rid of the man they do not want as commissioner. In most cases when a municipal commissioner is prematurely transferred before completing his three years term, it is because some powerful city leader or group does not want him.

The political pattern in India at all levels but particularly at local level is known to be unstable because of the frequent changes in parties and personnel holding offices. But if frequent transfer of administrators due to political reasons is taken into account then even administrative pattern is equally unstable. Few commissioners have been able to complete their full-term of three years (in a city which I studied, in about nine years of the corporation government there were three mayors but six commissioners).

Moreover at times the city leaders can create problems for the commissioner even in his future career particularly when commissioner is stubborn and believes in confronting them. They can get him transferred to some difficult place or position. They can even tarnish his image generally so that he may encounter problems in his future career.

Finally, the municipal officers working under the commissioner have divided loyalties. The structure of the corporation government visualizes only a two-dimensional relationship between the deliberative and the executive wings with the assumption that the executive is totally under the commissioner. In reality, however, as far as the commissioner is concerned, it is at least a three dimensional relationship. For the officers of the corporation, it is a situation of diarchy.

The commissioner is a member of the permanent civil service, but he is a bird of passage as far as city administration is concerned. The local politicians even when they cease to be corporators, may continue to wield some influence; they may stage a comeback, and at least they have the nuisance value. The officers are also local either because they belong to the city or once appointed in the corporation they become local till they change the job. Even within the corporation, the mobility of the officers is very restricted. It is not unusual for a municipal officer to continue to occupy one position

in a department for several years. They become so well-entrenched in their departments that sometimes commissioners find it difficult to do anything in these departments against their wishes.

The officers have learned from experience that in all respects the political elites are more powerful and influential. It is difficult for them to survive and flourish if they displease the corporators. Many of the officers have got their jobs through political patronage, they depend on the corporators for their promotion. They have also cultivated close social ties with them. The officers, therefore, tend to fulfil the demands of the corporators more readily—often keeping the commissioner in dark and sometimes against his wishes. The officers know that if they have strong political protection the commissioner won't be able to do much harm. A commissioner thus heads a team whose loyalties are divided.

Of course, commissioners also submit to political pressures because they may want personal favours such as continuing as a commissioner or being posted in the same city in some other position after the tenure is over because of their children's schooling. But the fact that an officer belonging to the All India Cadre has to seek the help of the local politicians only indicates the power and dominance of the political wing.

## V

How do commissioners manage the city elite in a situation where the legal structure makes him independent and responsible while the political reality makes him dependent and weak?

The *modus operandi* varies from situation to situation and person to person but there are four major types.\*

The first type is the independent commissioner, the one who is a stickler for rules and regulations. He insists upon maintaining the dignity and independence of his office. He would not agree to anything he thinks is unreasonable, unjust or irregular. He takes great pains to keep himself away from the local politics. He does not hob-nob with the politicians and even socially he mixes with them within 'permissible limits'. He believes in performance but gives priority to the norms, standards of behaviour, justice and regularity. Having thoroughly internalized the civil service norms and culture he respects the democratically elected leaders but he is not subject to pressures.

This type is rare. His chances of continuing as a commissioner for the full term are not very high. Though such a type of commissioner may be quite competent and efficient he is not likely to successfully implement and complete projects. He is likely to exasperate everybody around him—his officers, the corporators and even his superiors at the state level. Unless

\*I have elaborated and documented these types in my "Mayors and Commissioners : Profiles of City Managers", *Forthcoming*.

he is a very senior administrator, who has already made a name for himself and who can create an image of extraordinarily 'good' and 'honest' person in his every action (even in a minor matter like using a corporation car) he is likely to be soon in trouble.

The second type is a drifter, the one who does not care much about what happens to the city or the administration under his tenure. He, as a Gujarati proverb goes, neither teaches nor punishes. He does not take any initiative nor he has any ambitions to leave his name behind. He is likely to be steered by powerful politicians and administrators. His major worry is to play safe, keep out of trouble and finish his tenure with minimum of tribulations.

The third *modus operandi* adopted by some commissioners is to join hands with the ruling group or some very powerful political leader. In return for the protection the powerful group or leader gives him, the commissioner has to guarantee his subservience. He will have to take up projects which the powerful leader wants him to take up. He will have to assign priorities and distribute favours in such a way as to benefit the boss and his men. He will have to indulge in irregularities. How long such a commissioner would survive depends upon how strong his political boss is. If the boss is politically very strong then he can survive the full term. But even then he is likely to get into trouble with the rivals of the political boss. However, such a commissioner can become successful in implementing projects and programmes if his boss is also enthusiastic. Such a commissioner has to sail or sink with the boss. And generally in a highly uncertain political situation and very fluid political loyalties the power of the political boss does not last long.

Finally, there is the type who performs the balancing act. Here there are two variations. In the first variation some attempt is made to maintain objectivity. This is the type who likes to portray an image that he is neutral and impartial. But whatever impartiality is there is limited only to his dealings with the corporators. He attempts to do little bit for all competing and rival political groups. He tries to distribute favours equally. He believes that this way he can keep all the competing groups happy and pleased and can maintain an equilibrium. In the other variation the strategy employed is to play one rival political group against another. Selected, filtered and sometimes distorted information is fed to the rival political groups. The purpose here is to keep oneself in commanding position by knowing the strengths and weaknesses of the rival groups, by creating quarrels and then acting as arbiter. Sometimes officers are also used to maintain the political equilibrium.

The balancer of both the varieties do not 'emphasize' the performance aspect of their role. Both varieties soon came into conflict with the elected leaders. Because the reality of the political process is such that a balance just cannot be achieved. The one who attempts to distribute favours

equally, ends by dissatisfying everybody particularly the powerful elites who all the time want lion's share of spoils. Moreover, politicians not only want a big share of the spoils for themselves but are also interested in seeing that, as far as possible, their rivals do not get anything.

The commissioner who is a political manipulator and who plays one political group against another comes into trouble because group loyalties are so fluid. The corporators whom he may have manipulated as rivals at one time may become colleagues soon. And in any case in a short-while everybody sees through his game.

To be sure, none of these types is a pure type. Most commissioners are forced to adopt a mix of the strategies. Towards the end many become drifters. After sometime they become so demoralized and frustrated that they begin to talk the postures of 'let it go', 'let them do whatever they like', 'let us not take it up'.

Most commissioners also employ various other kinds of 'tricks' which vary from issue to issue and individual to individual in their dealings with the corporators. They try to stall and delay, bring the help of outside experts, use other officers of the corporation as buffers and scapegoats and sometimes lie outright. Occasionally they are able to sneak in something against the wishes of the powerful leaders (like a commissioner who knowing fully well that the city fathers will not allow him to hike up the house tax, asked his assessor to hike up the property value) and feel triumphant. But most of these tricks do not work beyond a point and do not accomplish anything substantial.

Most commissioners have also tried out what the organization behaviour experts, the public relations advocates and the 'art of administration' proverbs so frequently prescribe. They have attempted to listen 'patiently', understand 'their' point of view and show empathy. They have tried out attending the funeral of a political leader's mother in the name of good public relations and tried hard to cultivate the press. They have tried to be 'tactful', 'pragmatic', 'dynamic', 'flexible', and 'adaptable to the situation'. But confronted with solid down to earth political interests, these strategies suffer severe limitations. Being practical, pragmatic and dynamic may in reality mean fulfilling unreasonable demands, doing irregular and often unjust things, allocating unfair priorities and arriving at tenuous consensus and pseudo-compromises.

The democratic system is no doubt open and competitive. But it is concerned with the management of public affairs and therefore, it presupposes an environment where rules of the game, code of conduct and norms of behaviour are observed. And this calls for some commitment to values. In the final analysis it is 'public regardness' that builds and sustains public systems.

The structure of municipal corporation is devised for a public institution which makes executive independent and strong but the process ushered in

by *real politic* predominates and overwhelms the executive. The managerial styles aimed primarily at market systems cannot cope up with the environment of public systems where there is such a gap between the structure and process. ☐



# STAFF MANAGEMENT IN MUNICIPAL ADMINISTRATION

DEVA RAJ

Municipal budgets in India are overwhelmingly staff oriented. An analysis of the annual budget estimates of any municipal authority will reveal that 60 to 80 per cent of the expenditure goes towards the payment of salaries and allowances. This is natural in an organization charged primarily with the functions of maintenance of services and enforcement of the provisions of the municipal acts and a host of rules and bye-laws for the safety, convenience and environmental health of the citizens. Moreover, there is the minimum of mechanization. They hardly undertake much of developmental works for which there is the practice to set up special statutory bodies such as housing boards, urban improvement trusts, development authorities and even water supply and sewage disposal undertakings. In education, salaries of teachers and other staff account for about 90 per cent of the expenditure. In the field of public health, sanitation and conservancy, supplies cover barely about 20 per cent of the departmental budget, the rest being establishment. Under the circumstances, municipal performance and the effective functioning of municipal utilities and services, depend in a special way on the quality, technical and administrative capabilities and proper supervision and control of the various categories of municipal personnel.

## LOW EFFICIENCY AND OVER-STAFFING

When asked about economy in establishment expenditure, a former Commissioner of the Delhi Municipal Corporation confirmed that certainly, there was over-staffing but one had to reckon with the very low efficiency factor which was about 60 per cent of that of the government employees. Municipal administrations have been notorious for faulty assessment and poor collections on the one hand and wasteful expenditure on the other. City government is the most difficult and challenging area of public administration and still it is the most neglected. No sector of government suffers more from poor management and chaotic conditions of staff control and supervision.

## CAUSES AND REMEDIES

Failure of municipal administration has often been attributed to the absence of a well-organized personnel system and all the commissions or committees appointed since Independence have recommended the creation of provincial or State cadres of municipal services, particularly in respect of higher supervisory posts. The Central Council of Local Self-Government consisting of State Ministers of Municipal Administration and presided over by the Union Minister has also adopted resolutions from time to time for the institution of municipal cadres. As a result, number of State governments have taken steps to centralize or provincialize municipal services for higher administrative and technical positions. In some States, appointments to the posts of executive officers, municipal engineers and health officers have been integrated with the respective cadres of State services, or there is limited system of deputation to municipal service. This has a steadying effect on the functioning of municipal administration. But the progress in this direction has been halting. Even where State cadres have been introduced, most of the lower level ministerial and technical staff are covered by a separate personnel system. But a far more serious matter that bedevils the effective functioning of municipal authorities has been a total lack of emphasis on staff management, fixation of responsibility, lines of control and supervision, and a proper system of punishment and awards. It is this aspect of staff management that is the subject matter of this paper.

## THE EXECUTIVE STRUCTURE

Staff attitudes in the matter of discharge of their duties, their sense of responsibility and accountability are influenced greatly by the manner in which executive power is distributed and is exercised. Their performance and effective execution of the tasks also depends on the extent to which they are given the requisite initiative with appropriate delegation of powers to the various levels in the administrative hierarchy. It must also be conceded that delegation of authority pre-supposes the power of review and disciplinary control on the part of the chief executive. The executive structure provided in the municipal legislation in India does not make for such conditions. There is, in fact, no chief executive and authority and responsibility for taking and enforcing decisions are scattered and diffused amongst the council, the committees, the elected chairman and the appointed executive, if any. By and large, municipal government is government by committees—by resolutions adopted by the elected council and its statutory and *ad hoc* committees after discussions in the public gaze. And this includes creation of posts, appointments and promotions, sanction of allowances and disciplinary regulation and control of most of

the departmental officers and other municipal staff.

Broadly speaking, there are two distinct patterns of executive structure in municipal administration in this country—as there are two sets of municipal enactments—one for the corporations (in States where municipal corporations have been constituted) and the second in all States for urban local bodies in general. The design of the Tamil Nadu District Municipalities Act, 1920 (as amended from time to time), also approximates more to the corporation pattern. The distinctive features of the corporation type are :

- (1) the Commissioner is listed in the Act as one of the municipal authorities alongside the Council and the statutory Standing Committees;
- (2) he is the principal executive charged with the responsibility of carrying out the provisions of the act and implementing the decisions of the Council and its Committees;
- (3) the Corporation Act assigns to him expressly the powers of enforcement, granting permissions and sanctioning licences, etc., which in other municipal acts are vested in the Council or the Board which usually delegates such powers to a committee, chairman or permanent officials;
- (4) he has wider powers of sanctioning expenditure or approving estimates or tenders of higher value than the chief officers or executive officers of municipalities;
- (5) he is expressly given, to quote the words of the Delhi Municipal Corporation Act, 1957—the powers to “prescribe the duties of, and exercise supervision and control over the acts and proceedings of, all municipal officers and other municipal employees other than the Municipal Secretary and the Chief Municipal Auditor and the municipal officers and other employees immediately subordinate to them, and subject to any regulations made in this behalf, dispose of all questions relating to the service of the said officers, and other employees and their pay, privileges, allowances and other conditions of service”<sup>1</sup> and
- (6) he is appointed by the State Government usually from amongst the senior officers of the Indian Administrative Service and though answerable to the Corporation, he is not subject to its disciplinary control except that the Council can ask for his withdrawal by the State Government by a resolution adopted by absolute majority varying from 5/8th to 3/4th.

These powers of the commissioner have led to the oft-repeated erroneous.

<sup>1</sup>Delhi Municipal Corporation Act, 1957, Section 59(b).

erroneous presumption of there being a clear division of executive and deliberative powers between the commissioner and the elected wing of the the corporations. commenting on this separation of the executive from the deliberative policy-making functions as propounded by the late Shri Pheroze Shah Mehta, a senior civilian and till recently the Commissioner of the Delhi Municipal Corporation, observes: "It was a queer idea indeed, when viewed in the light of the fact that the deliberative body virtually controls the power of appointment, promotion and disciplinary action in the case of Schedule I officers of the Corporation and this power is given to it by the statute. How can one visualise that the executive head, viz., the Commissioner, can discharge his executive functions adequately and satisfactorily, if the control over his gazetted staff is exercised by some other body—in this case the Corporation? How can the Commissioner deliver the goods, as it were, if the vital portion of his administrative machinery is not within his direct grip or his heads of departments do not look up to him but somewhere else? The dichotomy between the place of responsibility and the place of authority makes the job of the Commissioner very difficult, if not impossible".<sup>2</sup> The fact is that the term 'deliberative wing' is a misnomer, because the municipal councils not only control policy, decide about taxation and budget, but are empowered by statute to exercise executive powers and to take decisions on a host of matters relating to day-to-day administration, which are in no way within the province of deliberative bodies such as the State legislatures. The performance of wide variety of executive functions by the Council and the Committees have a peculiarly debilitating effect on the outlook, loyalty and discipline of the municipal employees.

#### DISCIPLINARY CONTROL

It is an accepted tenet in judicial pronouncements that the power of disciplinary action can ultimately be exercised only by the appointing authority. It is also to the same authority that any appreciatory or adverse entries in an annual appraisal of performance of an employee will be referred. In most corporations, the municipal commissioner has powers of appointment to the lower posts only. For instance, under the Kerala and the Madhya Pradesh Corporation Acts<sup>3</sup> the Commissioner can make appointments to posts with a maximum salary not exceeding Rs.150 per month; while in Delhi Corporation, the limit is a minimum monthly salary of Rs. 350, and in Bombay, the aggregate emoluments of Rs. 500. The power of appointment by executive officers of municipalities is usually limited to a salary of Rs. 50 per month or below. In some cases the chairman or president of a municipality is also given appointing powers up to a certain limit. All other appointments are made by the statutory

<sup>2</sup>R. N. Chopra, "Role of a Municipal Commissioner", *Nagarlok*, Vol. II, No. 1, January-March, 1970, p.8.

Committees or the Council.

The ultimate disciplinary control, therefore, in respect of most of the posts in municipalities and the higher posts in most corporations vests in the statutory committees or the councils. Any decision about punishment or even suspension, as in the case of making appointments, has to be taken by a vote of elected members, who are far more amenable to influence and outside pressures. There have been cases where the municipal commissioner has gone to the council with recommendations to suspend an officer and to take disciplinary proceedings but no decision could be taken for months and the matter has been allowed to drag on even for a year or more. This, naturally, has a most degenerating effect on the administration. Even in respect of lower staff appointed by him, the commissioner is usually not able to act, as most of the staff work under senior officers, who are open to influence by the members of the committees and the councils in their dealings with subordinate staff. The commissioner is, of necessity, bound to delegate powers and executive authority to the departmental officers and has to be guided by the reports and assessment made by them for disciplinary action to be taken in respect of subordinate staff.

It is not unusual that the municipal commissioner has often to defend the acts of omission and commission of his officers and staff before the committees and the corporation council. He is responsible for powers exercised or orders issued in such matters as prosecutions for violation, of law, demolition of unauthorized constructions or removal of encroachments, etc., by the departmental officers by virtue of the powers delegated to them by him. He is also expected to ensure through these subordinates the execution of works and carrying out of decisions of the corporation and is answerable to it for any delays or variations in compliance. The staff is thus able to take shelter behind the municipal commissioner when the council is critical of the administration and, on the other hand, they can mobilize the members of the council when the executive officer wants to proceed against them for any of their failures and misdemeanour. The chief executive, therefore, has all the responsibility for running the administration without having the necessary control over the staff that looks up to the members for giving them protection.

#### PROMOTIONS AND OTHER INCENTIVES

The best incentives for any public servant are those of job opportunities and carrier openings within the establishment, accompanied by the assurance that experience, merit and devotion to duty will bring them the necessary reward in due course. The conditions prevailing in the field of municipal employment have not been conducive to the building up of such a morale. In the first place, the opportunities for promotion and growth, particularly in the small and medium local bodies, are

few and far between. Nor are the municipal bodies oriented to any policy of training and staff development. Secondly, promotions have been too often dependent on the preference and appreciation of the councils and committees. Till recently, there were hardly any rules and regulations for recruitment and promotions from within the service. The council alone has the power to create posts, unlike the practice in government where posts are created by administrative orders within the broad budget provisions sanctioned by the legislature. Often the council or committees proceed to make appointments from outside and even the qualifications are not clearly prescribed although in the last decade or so, State governments have been taking steps to lay down pay scale qualifications for different posts.

Even when appointments are made from within by promotion, canvassing and support of members play a big part particularly when there are practically no seniority lists. The municipalities in many States have not been maintaining any performance appraisal records of individual employees. The system has been introduced increasingly but if continues to raise problems for the authority awarding the annual entries and also in adopting procedures for proper maintenance and communication of adverse entries to the employees concerned. The position is certainly far better in the major corporations and the recent trends in many States towards State cadres of municipal services are directed towards remedying many of these shortcomings in municipal employment.

#### THE NEED OF A SINGLE EXECUTIVE

The above discussions have pointed out the need of proper rules for recruitment, pay scales, qualifications, maintenance of service records, particularly in respect of seniority and annual performance rolls, training opportunities and staff development with in-built incentives for promotion and lastly, the constitution of municipal cadres. These reforms are likely to be of limited value unless the day-to-day municipal administration is removed from the direct voting arena of the elected bodies, and the administrative and deliberative functions are suitably demarcated by vesting all executive powers in a chief executive within the overall framework of policies and programmes laid down and the budget voted by the elected council. The function of the latter is to control but not to execute or to exercise powers of sanction at every stage of the executive and administrative processes. In fact, the introduction and proper functioning of reforms in the municipal services as listed above, would depend very much on an administratively viable executive structure.

Personnel management requires appropriate managerial expertise at the top and a unified executive authority with clear lines of responsibility, control and accountability. This can be done either by raising the

municipal commissioner to the position of the American city manager or the Continental burgomaster; or adopting the strong mayor plan of the United States. While an all-powerful bureaucratic head is ruled out in the present-day context of Indian Local Government, the chief executive officer must definitely be made the effective head of the municipal services subject to the control and direction of the State government. Alternatively, he should be made the chief administrative officer attached to the single elected chief executive—the mayor or municipal chairman/president, elected for a term of 4 or 5 years with full-time, paid assignment. It could be possible to make the mayor the head of a small team as the mayor-in-council which was proposed some time ago for the Delhi Corporation and is still under consideration. But the chief administrative officer must be the captain of the executive wing responsible to the mayor or chairman. The present mayor exercises influence without responsibility; the strong mayor must exercise authority and take the consequences. It is only then that it will be possible to build up new traditions in staff attitudes, to develop fresh norms of staff behaviour and sound administrative practices in personnel management.

#### SERVICE BENEFITS AND PAY SCALES

One of the factors that has affected the quality of municipal personnel, is the relatively unfavourable conditions of service as compared to those in the State and Central services or in the private sector. In fact, it has been a vicious circle of recruitment of low-grade personnel with lower scale of pay, which fails to attract better qualified and experienced persons. Even if the pay scales were identical with government scales, exacting duties and the lack of adequate facilities and service benefits put the municipal servant at a disadvantage. A large percentage of municipalities is not able to give medical facilities and provident fund benefits to their staff, and pensionary benefits have been granted in a few corporations only very recently. The Rural-Urban Relationship Committee, considering the question of Super-annuation benefits, remarked that “the local bodies have generally pleaded their inability to provide these benefits on the ground of paucity of finances”. Nevertheless it was recommended that “every municipal body must have a system of contributory provident fund for all its employees”<sup>3</sup> Medical aid, housing facilities for essential staff and other welfare measures, particularly for the sanitary workers, should be introduced gradually.

#### APPLICATION OF LABOUR LAWS

The question of providing service benefits is often complicated by the

<sup>3</sup> *Rural-Urban Relationship Report*, Government of India, 1966, Vol. I, para 8.25.

fact that labour laws are applicable to local government units as to any private establishment. The definition of 'Industry' under Section 2(J) of the Industrial Disputes Act, 1947 includes any undertaking or service or employment and the Supreme Court in their judgement dated 10th February, 1960 in the case of the *'Corporation of the City of Nagpur vs. Its Employees'*<sup>4</sup> held that the municipal establishments are covered by the above Act. Apart from the Factories Act, 1948, Minimum Wages Act, 1948, the Workmen's Compensation Act, 1923, the provision of Employees State Insurance Act and Provident Fund Acts can also be made to apply to the municipal undertakings, and it is not unusual for the employees to claim advantage under the standing rules and bye-laws in this regard as well as the general body of social legislation. Moreover, if the municipal employees fail to receive any benefit under the provisions of the municipal Act or the rules and bye-laws made thereunder, or if any disciplinary action is taken against them, they can always have recourse to the provisions of the Industrial Disputes Act and Trade Union legislation.

The municipal corporations and other urban local bodies as well as some of the State governments have pleaded that disputes between the municipal administration and its employees should not be open for adjudication under the Industrial Disputes Act. Like the State and Central governments, the municipal authorities are also governments at their own level with powers of taxation and discharging public functions without any profit motive. The relations between a municipality and its workers cannot be one of exploitation any more than those between the higher governments and their employees. The municipal disputes should also, therefore, be settled through an informal machinery as in the case of government servants. In any case, the government can always act as the referee in respect of employees' grievances against the local authorities.

The question has been brought up before the Central Council of Local Self-Government time and again. Recently at the Thirteenth Meeting of the Council held in November, 1970, the State Governments of Rajasthan, Madhya Pradesh, Orissa and Tamil Nadu pointed out in their detailed notes placed before the Meeting that the application of labour laws and the manner of their operation have made it impossible for the local government units to discharge their legitimate and statutory duties. It has exposed them to an agitational approach which sometimes results in breakdown of essential civic services. It was also pointed out that the local bodies were finding it difficult to meet the obligations flowing from the awards given under the Industrial Disputes Act. If the Labour Award catches a municipality with no cash balance and if the provisions of Section 33(c)(i) of the Industrial Disputes Act, 1947 were

<sup>4</sup>A.I.R., 1960, S.C. 675.



invoked, the Collector may have to seize municipal property which may perhaps include such essential equipment as conservancy vehicles. It was, therefore, suggested that local bodies should be taken out of the scope of operation of these labour laws. On the other hand, it has been pointed out that the appropriate government for the purposes of Industrial Disputes Act in respect of municipal bodies are the State governments and there should not be any difficulty for the State governments concerned as the Act has been amended by the insertion of a new Section 40 in December, 1964, to include the service in the municipalities in the First Schedule to the Act and then to declare it as a public utility service for a period of six months at a time, if considered necessary. The Council, however, decided by its Resolution No. 1 to refer the matter to a small Committee of State Ministers and a representative each of the Ministries of Health and Labour and Employment and the President of the All India Local Bodies Officers' Association, for a detailed examination of the question and to make their recommendations.

It may be mentioned that the Rural-Urban Relationship Committee had recommended that "the position of the municipal employees *vis-a-vis* municipal authorities should be regarded on the same footings as that of government servants in relation to government".<sup>5</sup> Nevertheless, while the employees should not have the double advantage of demanding the best out of what is obtainable under the municipal laws and rules as well as labour laws, they must be assured of appropriate service conditions comparable to those applicable to the Government employees. The municipal authorities will then be in a stronger position and the State governments as well as any adjudication machinery cannot fail to take note of the satisfactory benefits so provided. The position of the administration will also be very much stronger if the reforms in respect of a unified execution as proposed above were to be accepted.

<sup>5</sup>*Rural-Urban Relationship Committee Report, op. cit.*, para 8.23.

# PERFORMANCE APPRAISAL IN MUNICIPAL ADMINISTRATION

D. D. MALHOTRA

Municipal Administration in India, partly by the very nature of its tasks and partly on account of weakness of the administrative system, spends a large proportion of its income on establishment. Whether it is for conservancy services or services to meet the educational, recreational or public health needs of the community or it is for its regulatory activities ranging from licensing of vehicles and sanctioning of building plans to controlling public nuisances or for its tax administration, the urban local bodies have concentration of personnel in their administration. The effectiveness of municipal function and its services to the community depends a great deal on the qualitative as well as quantitative performance of its personnel. The extent of their performance, no doubt, is conditioned by the municipal management structure and practices and a wide range of its environmental factors. Nevertheless, within the given framework, the personnel policies and practices do have considerable influence on the employees' performance. It is this aspect that has remained largely neglected in municipal administration, even though the pressures for better performance are increasing day-by-day with the increase in the magnitude of urbanization and complexities thereof. Inefficiency, corruption and indecision are the evils in terms of which the urban dwellers, the state governments, etc., characterize the functioning of municipal administration in India. Since these evils reflect on the performance of men who work in it, one would naturally like to know what sort of system exists to review and to improve their performance. In case, it exists, does it achieve its purpose? If not, why? The attempt in this article is essentially to discuss these issues.

The major concern of any sound personnel management system is to optimize the effective use of organization's manpower resources to achieve its objectives. To do so, the management requires a wide range of information, about the extent of individual's contribution and the factors which influence his contribution. One of the important and reliable personnel techniques of collecting this information is the formal and periodical

reports of individual's performance on the job. This exercise of formally appraising employees' performance is commonly known as performance appraisal.

#### ADVANTAGES OF A PERFORMANCE APPRAISAL SYSTEM

A well conceived and operated performance appraisal system can diagnose the health of the structure as well as the functioning of an organization. It provides a sound information base to the management for adopting corrective, preventive and developmental measures with a view to increase individual's and organization's performance. The specific contributions of sound performance appraisal could be as follows:

- (a) It can identify and monitor employees' abilities, their strength and weaknesses. This information is useful for taking a wide range of decisions aiming at improving their performance. For instance, placement policy can be made more rational and purposeful if the above information is used to provide clues to questions such as what nature of experience is required by an individual to use or to increase his capabilities or which job is likely to maximize the contribution of an individual. Further, it can help in identifying the training and development needs of an employee as well as for the organization as a whole.
- (b) It can also provide insights into the validity of job specifications such as academic qualifications, nature and extent of experience and skills which the candidates for appointment should possess for better performance on the job.
- (c) It can project the potential skill levels of employees. The qualitative information (such as leadership skills, initiative, drive, honesty, integrity, etc., which normally is difficult to determine in case of candidates for direct recruitment) along with the performance of an employee on job could be of considerable assistance in determining his suitability for promotion.
- (d) It is one of the means available to achieve some degree of congruence between the individual and organization's needs and objectives. Even though it is not yet primarily conceived as a part of the mechanics of organizational control, if it determines prospects for advancement of an individual, it is more likely that he will be prepared to discipline himself in his present role. It, therefore, has the capacity to influence the behaviour of employee in favour of compliance with norms, values, rules and regulations of the organization.

## EFFECTIVENESS OF PERFORMANCE APPRAISALS—SOME ASSUMPTIONS

The extent to which the advantages of a performance appraisal system can be realized depends on a number of factors within the organization. For instance, if job descriptions do not exist within an organization, it becomes difficult to specify abilities, skills and personality attributes which one should possess in order to do the job effectively. If such job specifications are not laid down or are not related to the requirements of the job, the management runs the risk of appointing a wrong person for the job, the consequence of which will inevitably be reflected by his subsequent poor performance. Performance appraisal system, in order to be effective, therefore, assumes that the management structure is based on a clear definition of individual's role and its boundaries as determined by job descriptions and against which his performance will be evaluated. It also assumes that selection of individuals for jobs will be in accordance with the job specifications, *i.e.*, abilities, attributes and skills required to do the job.

Most important, however, are the assumptions about the type of organization behaviour which is conducive to the effectiveness of a performance appraisal system. A sound performance appraisal system assumes that organizational relationships are essentially based on 'excellence' or 'competence' of individuals rather than on 'acceptance'. The characteristics of relationship based on the 'excellence' or 'competence' model are: though it "has some emotional ingredients (feeling of pride, and accomplishment), it is colder, more rational, more task oriented. It evaluates others. It judges. The ideal group, according to this model, is a group of skilled professionals bound together by mutual goals and mutually respected skills. We fire the weak and replace them with the strong. If there is friendship, it emerges from mutual respect; but friendship is of secondary importance for the organization".<sup>1</sup> As against the 'excellence' model, the characteristics of organizational relationship based on 'acceptance' model are that it "is essentially emotional. The primary bonds are bonds of mutual affections mutual trust, mutual loyalty—these above all".<sup>2</sup>

It is also assumed that while assessing the subordinates who are otherwise his colleagues or members of a team in a work situation, an individual will feel free to bring out their weakness without detriment to the working relationship which calls for a great deal of mutual dependence and trust. On the part of the assesseees, they feel a great deal of confidence in the fairness and objectivity with which performance has been evaluated.

Another assumption is that the career advancement prospects will be determined by the performance of an individual on the present job. That

<sup>1</sup>Leavitt, Harold J., *et. al.*, *The Organisational World*, New York, Harcourt Brace Inc., 1973, pp. 142-43.

<sup>2</sup>*Ibid.*

is, if his performance is rated high or unsatisfactory, the Organization not only does take action on the basis of appraisal but also is seen to take action which may range from promotion of an individual to severing of his relationship with the organization.

On the other extreme, if the management structure is defective, if individual's acceptance rather than 'competence' is the sole basis of his organizational relationship, if an individual does not feel free to objectively report the performance of others, and if organization suffers from total incapacity to take action on the performance report, it would be futile to seek effectiveness of any performance appraisal system, with whatever sophisticated technique at its disposal.

#### APPROACHES TO PERFORMANCE APPRAISAL

Having mentioned some of the important expected advantages of a performance appraisal system and assumptions on which its effectiveness depends, let us see how the performance of an individual on the job is assessed. There are basically three ways largely in combination with each other to do so. They are: (a) where the output of a person is quantifiable, objective indices can be evolved in terms of specific standards such as rate of output of units, e.g., disposal of papers requiring routine action, preparation and distribution of bills, collection of taxes, etc., (b) appraisal by an individual of his subordinates, and (c) self-appraisal. Because a number of jobs particularly in government and at supervisory and managerial levels do not have quantifiable output units as measure of individual performance, the attempt is to get qualitative information. Consequently, a considerable reliance is placed on the appraisal of subordinates by the immediate superior. A large scope for subjectivity of the assessor while judging the performance of the subordinate is inherent in this process. It is precisely to increase the objectivity in the reporting of performance of one individual by another, and to assist supervisors in evaluating employees, in addition to narrative reports, a wide range of techniques such as rating schedules, man-to-man comparison scales, peer group rating, graphic rating scale, pre-stated elements, etc., have emerged. The attempt in these techniques is to focus attention of the supervisor upon the significant and representative individual's traits, characteristic and factors which are relevant to his successful role achievement so that subjectivity of the assessor in the evaluation process is reduced. Even where self-appraisal system is adopted, it is primarily intended to increase the objectivity in the appraisal system.

#### PERFORMANCE APPRAISAL IN MUNICIPAL ADMINISTRATION

The practice followed in India is that formal and periodic assessment

of government employees—Central or State, is done through filling a prescribed form by their immediate supervisor once in a year. Such reports, known as character rolls or Annual Confidential Reports, (ACRs), are normally referred to determine merit of an employee at the time of filling a promotion vacancy. Because the provision for lateral entry to All India Services, Central and State class I and II services does not exist, a decisive reliance is placed on ACRs for determining the merit of an officer for promotion within a cadre. But for other services largely providing manpower for lower echelons (clerical or first supervisory levels) and for some categories of posts, in addition to ACRs, competitive tests and/or formal interviews are also conducted for assessing the merit of an employee.

A study of the practices of appraising the performance of officials in municipal administration reveals that: (a) wherever any attempt has been made to assess officials' performance the same system of ACRs as prevalent in government has been extended while the prescribed forms may be of different design; (b) whereas in municipal corporations, the practice of ACRs has been in existence for quite some time, this practice is rather of recent origin in municipal administration in most of the states and has not yet been adopted all over the country. In the municipalities of West Bengal, Maharashtra, Gujarat, Punjab, Haryana, Jammu & Kashmir, Bihar and Orissa, ACRs of municipal employees are generally not maintained. However, the ACRs are filled in case of state government official on deputation to local bodies. In Rajasthan, Uttar Pradesh, Madhya Pradesh, Karnataka, Tamil Nadu, Andhra Pradesh, etc., where state-wide municipal cadres have been introduced, the ACRs have been prescribed for officials included in these cadres. For employees below the level of officers, the practice of ACRs even in these states is rarely found in existence.<sup>3</sup>

However, where ACRs have been introduced as instruments of assessing the performance of municipal employees, they suffer from the same defects as observed in their use for government officials. For instance, an ex-Chairman of the Union Public Service Commission in his evidence before the Second Pay Commission observed that "In about 50 per cent of the cases...the character roll was not a good index of the worth of a Government Servant, that annual confidential reports were laconic or vague,

<sup>3</sup>The information regarding the use of ACRs in municipal administration was collected through a questionnaire issued to municipal officials belonging to Andhra Pradesh, West Bengal, Bihar, Gujarat, Haryana, Jammu & Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh only. It is quite possible, that a state or a municipality might have prescribed ACRs to be filled in and maintained, but it has not been followed in practice and a respondent is not aware of it, he might have indicated the non-existence of ACRs. On the other hand, one of the respondents from Maharashtra had replied that ACR forms are in existence in his municipality, but they have never been used.

and that there was no positive assessment of intelligence and other qualities".<sup>4</sup> While observing that in a considerable number of cases the assessment is not wholly correct or the report adequate, the Second Pay Commission pointed out that the most common criticisms of ACRs are that :

'They are generally not an objective assessment based on careful observation, but reflect the personal prejudices and predilections of the reporting officer; that even when a report is not vitiated by such feelings, it is apt to be too vague, cryptic or non-committal to do justice to the employee reported upon; and that reporting officers differ widely in their standards of judgement—some being far more exacting or generous than others—with the result that when a common grading is made, it does not correspond to the relative abilities and performance of Government servants concerned. There is further criticism that though the orders of Government are that an adverse report should be communicated to the employee concerned, this is not always done or done promptly enough to enable the employee to make a representation before occasion arises for his being considered for promotion. Representation, it is added, are also not often properly considered, and thus the chances of an employee having an unmerited adverse remarks expunged are, in practice, small.'<sup>5</sup>

Nagarkatti Report<sup>6</sup> observed that "the dissatisfaction in regard to the way these reports are written is universal". The reasons for the undependability of these reports are that:

Officers are afraid of making the correct assessment for fear of offending influential supporters of the officers under report...The confidential reports suffer from bias occasioned by parochial, communal or other subjective feelings of officers sitting in the isolation of their rooms and it is then that these parochial and other feelings tend to come to the surface. Further, the reports are all written in a great hurry because the present practice is for writing them all in the last week or fortnight every year. Even a fairminded officer finds little time to do justice to the officer under him; he scribbles a few lines in each officer's file and is glad at the end to have been rid of a drudgery. Many reporting officers just make formal, insipid entries in the confidential reports, because they do not want an increase in their work or face the possibility of submitting explanations of their own

<sup>4</sup>Report of the Commission of Enquiry on Emoluments and Conditions of Service of Central Government Employees, 1957-59, Ministry of Finance, Government of India, 1959, p. 509.

<sup>5</sup>Report of Commission of Enquiry on Emoluments and Conditions of Service of Central Government Employees, *op. cit.*, p. 509.

<sup>6</sup>Report of the Study Team (Chairman : K.N. Nagarkatti) on Promotion Policies, Conduct Rules, Discipline and Morale, Vol. I & II, Administrative Reforms Commission. Dec., 1967, pp. 261-62.

when the reports are challenged before the higher authorities as being unfair....

Even though similar criticisms of ACRs are also generally expressed by municipal officials wherever ACRs have been adopted, this study was undertaken to know their views about the effectiveness of ACRs as a tool for assessing their job performance and thus determining their suitability for promotion. A questionnaire was given to 40 municipal officials of different states in India who had come to attend three training courses conducted by the Centre for Urban Studies of the Indian Institute of Public Administration, New Delhi. The composition of these officials is : Executive Officers<sup>7</sup> and their equivalent serving either municipal corporation or State Municipal Directorate but who are transferable as executive officer : 25; Head of Departments, or their subordinates, (Municipal Engineer, Assessors, Revenue Officers, Tax Superintendent, etc) : 15.

The questionnaire was divided into two parts. Since it was already known that wherever performance appraisal has been introduced, it is done through ACRs, the first part, therefore, sought information on the practices and the procedures followed in the use of ACRs if in existence. Information was also sought on the specific role, if any, of elected executive, district collector or any other state government official in reporting the performance of municipal officials. The second part was devoted to know their views about the manner of use of ACRs by elected executive and appointed officials, wherever ACRs have been introduced. Their views were also sought on what should be the role of elected executive, district collector or any other official of state government in reporting the performance of officials at various echelons of municipal administration and whether any weightage should be given to ACRs at the time of considering their suitability for promotion.

They were also asked to indicate the extent of interest taken in recording employees' performance and of trust and confidence in the fairness and the objectivity with which such performance was recorded by officials at their level and at levels higher and subordinate to them. Their views appear in Table I and II.

From earlier experiences with the use of questionnaire techniques, it was seen that the officials in India are generally hesitant to give categorically their views in response to direct questions such as 'Do you...' or 'to what extent do you...' On the other hand, they tend to give a more reliable indication of their own views, if asked about how the officials at

<sup>7</sup>The word 'Executive Officer' has been used to include different designations adopted in different states for the same position, e.g., in Tamil Nadu, Rajasthan, Andhra Pradesh, he is known as Municipal Commissioner. In Madhya Pradesh, the designation is Chief Municipal Officer. In Karnataka and Maharashtra, he is known as Chief Officer.



their level feel or do. A few direct questions however were included to check the consistency in response. It is, therefore, assumed that the level of 'interest' and 'trust and confidence' amongst the respondents is, by and large, the same as that which they have indicated to be amongst the officials at their level. If the officials perceive that their superiors themselves have low ('Not at all', 'to somewhat') 'interest', 'trust and confidence' in the recording of ACRs, it would indicate the extent of support, they perceive, from higher levels in the reporting of their (respondents) subordinates.

On the other hand, if they perceive that their subordinates have low 'interest', 'trust and confidence', it would perhaps indicate some compulsions or conditions which prevent them (respondents) from correctly indicating the performance of their subordinates. Such compulsions could be internal (biases) to the reporting officers or external (pressures) operating on them.

TABLE I EXTENT OF INTEREST WITH WHICH ACRS ARE RECORDED

<i>Level</i>	<i>Not at all</i>	<i>Some-what</i>	<i>Moderate</i>	<i>Considerable</i>	<i>To a great extent</i>	<i>No response</i>	<i>Total</i>
Officials at levels higher to the respondents	8	9	12	4	3	4	40
Officials at the level of respondents	10	15	5	3	3	4	40
Officials at level subordinate to respondents	12	15	4	2	2	5	40

TABLE II EXTENT OF TRUST AND CONFIDENCE IN THE FAIRNESS AND OBJECTIVITY IN REPORTING PERFORMANCE IN ACRS

<i>Level</i>	<i>Not at all</i>	<i>Some-what</i>	<i>Moderate</i>	<i>Considerable</i>	<i>To a great extent</i>	<i>No Response</i>	<i>Total</i>
Officials at levels higher to respondent	5	7	14	6	3	5	40
Officials at the level of respondent	4	15	9	3	4	5	40
Officials at level Subordinate to respondent	5	15	9	2	2	7	40

To the question 'Do the ACRs in your opinion bring out potential strength and weaknesses of the employees whose performance is being reported', 18 respondents said 'no', 3 did not respond. Out of 19 respondents who had replied in affirmative, 10 had indicated that the official higher to them, themselves had either 'not at all' or 'somewhat' trust and confidence in the fairness and objectivity of the ACRs. But 12 of them felt that these higher officials took 'no interest at all' or 'somewhat' interest in recording the performance of their subordinates. On the other hand, 12 of these respondents felt that the officers at their level took little interest ('not at all' or 'somewhat') in recording the performance of their subordinates and further 13 of them felt that these officials (at their level) had low (not at all or somewhat) trust and confidence in ACRs. One would assume that these 13 respondents who had indicated low trust and confidence, would not feel that ACRs did bring out the potential strength and weaknesses of employees. On the other hand, from amongst 18 respondents replying in negative, we find that 7 of them had in fact indicated a high level ('considerable' or 'to a great extent') of trust and confidence in the fairness and objectivity they feel their higher official have in ACRs. Five of them had indicated a high level of 'trust and confidence' amongst the officials at their level.

To another question : "Do you think any weight should be given to the ACRs (considering the manner in which these are at present being recorded) for the determination of merit of an official for promotion", 14 respondents said 'No'. Five of them did not respond and remaining 21 were in favour of giving weightage to ACRs. When the responses of these 21 respondents were checked against the question relating to 'trust and confidence reporting officers' 'interest' in the ACRs, it was observed that 5 of them felt 'low' and 12 respondents felt 'moderate' level of trust and confidence in ACRs amongst the officials at higher levels. Ten of them felt that officials at their own level had low 'trust and confidence'. A similar response pattern is repeated in the level of 'interest' with which performance is reported by higher officials and officials at their levels. It is possible that these 10 respondents were in favour of the principle of giving weightage to ACRs but at the same time were rejecting the manner of its present use.

It was also observed that from amongst those 14 respondents who had indicated that no weightage should be given to ACRs in assessing the merit of officials, eight of them had indicated high ('considerable', 'to a great extent') level of 'trust and confidence' amongst their higher officials and 6 of them had expressed high level of 'trust and confidence' amongst the officials at their own level.

From this small sample and the limited scope of the questionnaire, one can only draw some tentative conclusions as follows :

- (a) The municipal officials in general neither have trust and confidence in the fairness and objectivity with which the job performance of officials is assessed through ACRs, nor do they take interest in recording the performance of their subordinates and thus in bringing out their potential abilities, strengths and weaknesses.
- (b) Since they perceive that their higher officials do not take interest, nor have trust and confidence in the fairness and objectivity with which performance is reported in ACRs, they, as reporting officers, feel lack of support from higher levels in case they rate their subordinates low or high in their performance.
- (c) As they also feel that their higher officials as well as their subordinates share the same low level of 'trust and confidence' and 'interest' in the ACRs as they have it, this phenomenon seems to suggest that there are certain factors other than the performance on the job which strongly influence the evaluation of employees' performance.

Because of this universal dissatisfaction with the ACRs as an instrument of performance appraisal of employees, there is an increasing pressure from various levels for promotions by seniority which is not amenable to manipulations. On the other hand, seniority as the basis of promotion could hardly motivate the employees toward better performance on their job and give rise to an achievement-oriented organization culture. One would, therefore, infer that 'acceptance' model and not the 'excellence' or 'competence' model of interpersonal relationship will dominate the organizational behaviour under the above conditions. Further, because of the pervasive distrust of ACRs, the organization actions in regard to rewards and punishment do not follow from the actual performance on the job. To that extent, the use of ACRs, would only encourage the 'acceptance' model to operate more vigorously and the organization would suffer from incapacity to achieve even a reasonable level of congruence between individual and organizational needs.

#### MUNICIPAL MANAGEMENT STRUCTURE AND PERFORMANCE APPRAISAL

The lack of existence or ineffectiveness of any formal appraisal system in municipal administration in most of the states in India can be attributed to a number of reasons. Important amongst them, apart from organization behaviour, are also related to the size of a municipal organization and its management structure. The structure of municipal organization was essentially flat that is, it had large number of employees at the base and a very few intermediate levels in the hierarchy separating them from the top. Further, eligibility requirements (qualifications, experience and skills for appointments, etc.) in such a system differed quite widely between two

successive hierarchical levels, more particularly for technical posts, reducing thereby already limited scope for upward mobility of employees. Promotion prospects were, therefore, severely restricted by the size and structure of organization. On the other hand, in the municipal management structure the 'powers and functions are so distributed among a number of authorities that it becomes well-nigh impossible to fix responsibilities. The whole council has certain powers, the committees have certain others, a mayor or chairman may have a few, and the state government tries to keep as big a chunk as possible. The committee system, apart from fragmenting administration, has a tendency to encourage interference of the councillors in day-to-day administration.<sup>8</sup> These characteristics of municipal management structure provides ample scope for politicization of personnel functions. Local influence capacity of an employee rather than his performance on the job, under these conditions, becomes the main instrument of seeking the very little opportunities for promotions or rewards obtaining within the municipal organizations. The practice of formally and systematically appraising the performance of municipal employees could not evolve and take roots in municipal administration in India.

With the formation of state municipal cadres, ACRs were introduced. But a distinctive feature of performance appraisal through ACRs in municipal administration is the role of elected executive, *i.e.*, President/Chairman and district collector who acts more or less like a local agent of state government. As pointed out, earlier where ACRs have been prescribed, the actual practices regarding methods and procedures of their use may sometimes vary even within a state. For instance, in Madhya Pradesh till 1973, district collector used to express his views on the performance of the Chief Municipal Officer while countersigning the report initiated by the President. After creation of Municipal Directorate at the state level, even though the Collector has not been assigned any role, some of the respondents have expressed that the reports are still sent to the Collector for his counter-signature. While such variations from prescribed procedures may exist in a state, it will be observed that in Rajasthan, Madhya Pradesh, Uttar Pradesh, Tamil Nadu and Karnataka, the ACRs of executive Officers are initiated by the President. Whereas in Uttar Pradesh the reports are sent to the Municipal Directorate, in Madhya Pradesh these are countersigned by the Regional Director of Municipal Administration and then sent to the Directorate. In Rajasthan, Tamil Nadu and Karnataka, these reports are countersigned by the District Collector who forwards them to the State Directorate. In Andhra Pradesh elected executive has no role as the ACRs are initiated by the Regional Director and countersigned by the district collector. It was also earlier pointed out that the ACRs are not in vogue for municipal officials in Bengal, Maharashtra, Gujarat, Punjab and Haryana.

<sup>8</sup>M. Bhattacharya, *Municipal Government*, Research Publications, Delhi, 1974, p. 71.

The executive officer initiates ACRs of the heads of departments such as health officers, municipal engineers, revenue officers, etc., in Andhra Pradesh, Karnataka and Madhya Pradesh. In Tamil Nadu, Municipal Commissioner (Executive Officer) initiates ACRs of all heads of departments excluding Health Officer. In Uttar Pradesh and Rajasthan, it is the President who initiates ACRs of all municipal employees included in the state municipal cadres. While in Rajasthan, these reports are countersigned by the district collector, no such provision exists in Uttar Pradesh. In case of municipal ministerial staff, by and large, no ACRs are maintained in any state even if the provision might exist to do so. Also, it would be observed that in respect of state government officials serving in municipal administration on deputation or being part of an integrated personnel system, the executive officer, if he belongs to state municipal cadre, does not initiate ACRs.

In order to know how the municipal officials feel about the role of the elected executive in assessing their performance, the respondents were asked to indicate the extent to which the elected executive—President or Chairman bases his assessment objectively on the merit of performance on the job rather than on political considerations and the capacity of the official to get along with him in doing or getting things done which might be contrary to the interest of municipal administration. Twenty-one of the 40 respondents indicate 'not at all' or 'some what'. In case of 13 respondents the question was not applicable as either the elected executive had no role or the practice of ACRs was not obtaining. The remaining 6 respondents felt that the assessment was from a 'moderate' to a great extent objectively based on the merit of performance on the job. However, only one of these 6 respondents had indicated high level of trust and confidence in the fairness and objectivity in the reporting of performance and also had favoured giving weightage to ACRs in determining merit for promotion.

To another question "Do you think the President/Chairman of the municipal body should report the performance of executive officers and the heads of departments", twentyone of them said that he should not report the performance of executive officers and 26 of them did not want him to do so in respect of heads of departments. Eight of them did not respond. From amongst those 11 respondents who had replied that he should report the performance of executive officers, it was found that 6 had rated the objectivity in elected executive's assessment on the low side ('not at all' or 'some what') and in the case of three respondents, the elected executive had no role in reporting the performance of municipal officials. From amongst those 6 respondents who wanted the elected executive to report on the performance of heads of departments, it was found that only one of them was an executive officer, the remaining being either heads of departments or subordinate to them.

Out of 25 executive officers in the sample, twenty of them expressed that the performance of executive officers should be assessed by either the Director or the Regional Director of Municipal Administration or by the district collector, but 24 of them wanted that they should report the performance of heads of departments. From amongst the remaining 15 respondents, 6 of them, as earlier noticed, wanted the elected executive to evaluate the performance of heads of departments whereas 8 of them were in favour of executive officer doing so.

It may, however, be mentioned that in the sample there was no technical head of the department such as health officer or municipal engineer who belonged to state government service but was serving the municipal body. The only municipal engineer in the sample belonged to state municipal cadre and though he was in favour of executive officer reporting the performance of heads of department, he qualified his views by expressing 'but not the executive officers of the present calibre'.

It would thus be observed that the municipal officials in general and executive officers in particular are not, by and large, in favour of the elected executive evaluating the performance of municipal employees. In this respect a few respondents had given certain general remarks such as elected executive's assessment is 'politically motivated and is not based on direct observations', 'It is based on ill motives to take revenge'. It is a weapon used to take vengeance and wreck the subordinate officers whom they do not like for personal reasons'. 'A corrupt official (including elected executive) always writes a bad report of his subordinates and a good report of the official of his character'. 'To avoid undue political pressures' or 'to keep ACRs aloof from undue political influences' are common justifications given by most of the respondents who are in favour of the District Collector or Director or Regional Director of Municipal Administration evaluating the performance of municipal officials. Though further research in the nature of the relationship between the elected and the appointed officials in municipal administration is necessary, the limited data at best suggest only a lack of appreciation of each others' role and it will look as if there is lack of definition and of a mutual understanding of the boundaries of their respective roles.

Even though there is a general consensus amongst the respondents in favour of the executive officer evaluating the performance of heads of departments, as the technical heads of departments are not adequately represented in the sample, it is difficult to say whether these officers would endorse this procedure. Such doubts exist because there is a wide scope for friction between the technical officials and executive officials on account of the manner in which the state municipal cadres have been structured and operated as closed system. The technical officials are at tap and executive officials are on top even though they enjoy similar pay scales, etc. But when these technical officers belong to the state services

they carry with them not only sometimes higher pay scales but also a feeling of higher status *vis-a-vis* others who belong to state municipal cadres. Under these conditions, the acceptance of executive officers's role to provide administrative leadership by such technical officials is less likely to emerge. Further, even where the state municipal cadres have been constituted, a large section of municipal employees still continue to belong to the separate personnel system, that is, whose services are confined to the local body which has recruited them. The nature of relationship between this group of local employees and the elected representatives is another dimension which, it is generally believed, influences the functioning of officials belonging to the state municipal cadres and serving a municipal body only for a short tenure.

The municipal management structure and its staffing pattern appear to have created conditions in which the role of the executive officer as head of municipal Executive Administration has become rather obscure. The politico-administrative behaviour causes further distortions in the structure as well as its functioning. Under these circumstances, 'he (Executive Officer) either joins the scramble or remains inert'. He finds hard to enforce disciplinary control over his subordinates who are not appointed by him and each one of whom has some god father in the council to give him protection.<sup>9</sup> Consequently, the action capability of municipal administrative system for seeking better job performance from employees gets severely limited. Any performance appraisal system would remain, therefore, largely ineffective in achieving its objectives. For inducing action capability in municipal administration, it is essential to review the existing municipal management structure and its staffing pattern. A president, directly elected by people with appropriate powers to function as chief executive could be one of the possibilities to evolve a better municipal management structure.

It must also be recognized that the executive officer is the administrative leader in municipal organization. The staffing pattern, therefore, should grant formal supremacy to his role as such and should be conducive to creating conditions for the acceptance of his role. It may be desirable to permit lateral entry into the cadre of executive officers and to give them higher pay scales, etc., *vis-a-vis* other municipal officials. The executive officer of all the heads of department irrespective of whether all or any of them belong to state government service.

Assuming that the present municipal structure will continue for some-time, it is essential that the elected executive (like a president) should report the performance of executive officer. It is he who is in the best position to observe his performance and is ultimately accountable to the electorate for the performance of the local body. At the same time, this

<sup>9</sup>M. Bhattacharya, *op. cit.*, p. 71.

study does suggest that day-to-day administration and performance appraisal in particular, needs to be insulated from political pressures and interferences. It might, therefore, be desirable, for the purposes of performance appraisal, to conceive the role of executive officer comprising of two basic functions, *i.e.*, response functions and managerial functions. The focus of response functions would largely be on the effectiveness of the executive officer as administrative leader in rendering municipal services which play a critical role in day-to-day living of urban dwellers, and in his support in the conduct of council business. The reactions of local citizenry to the ways municipal services are managed could be tapped by the elected executive and councillors on a continual basis if a formal feedback system demands their periodic reporting. At present, it is supposed that citizens, reactions are expressed through political process, *i.e.*, elections, but this feedback mechanism has its own limitations and does not appear to provide sufficient strong pressures for better performance by municipal administration. Obviously, therefore, the elected executive, who can articulate aggregate and citizen's reactions and who is there in municipal administration on behalf of the citizens, is the person best suited to appraise the executive officer's performance against response functions. The managerial functions would essentially be concerned with his administrative leadership, effectiveness in interdepartmental coordination and cooperation, conflict resolution, and with the overall performance of the administrative system in its various specific tasks. For appraising the performance of executive officer in respect of managerial function, a reporting system shall have to be designed to provide suitable data base, for instance, tax collection, creation of new assets, state of local public health, etc. Once these two functions are operationalised, it becomes possible to prescribe two sets of performance appraisal forms, instead of single ACRs form—one for the elected executive to annually appraise the executive officer's performance against response functions and the other for the Regional Director of Municipal Administration for reporting on managerial functions. The two forms could be merged together at the Directorate level and for rating merit for the purpose of promotion; the performance in respect of each function could be given appropriate weightage.

#### CONCLUSION

Even though it is widely recognized that the performance of municipal administration must improve, we continue to rely upon those traditional approaches to administration which evolved when municipal bodies faced with problems of less magnitude and complexity than what they are required to deal with today. The municipal personnel management at best still follows the establishment approach characterized by its concern with applications of rules governing administration of pay, leave and other



conditions of service. There is a little realization that a positive approach to personnel functions such as selection and recruitment, training and development, transfers, performance appraisal and promotion, etc., can improve administrative performance by making best possible use of human resources. The study of performance appraisal system in municipal administration reveals some of the dynamics of municipal organization's structure, its staffing pattern and its functioning which seem to account for either total lack of performance appraisal or its ineffectiveness wherever it has been introduced through ACRs. The essential conditions such as existence of job specifications, appropriate management structure and 'competence' based organization behaviour which determine the effectiveness of any performance appraisal whether through ACRs or any other better means than that, are almost absent in municipal administration. It is possible to improve the level of objectivity in performance appraisal by introducing new appraisal techniques or by improving the design and content of ACRs and the procedures followed, still their effectiveness will be conditioned by the extent of willingness to use them as intended. But if no follow-up action based on the report is taken, individual's willingness would also decline. So long as the 'acceptance' is the sole basis of interpersonal relations and the scope for politicization of personnel functions is wide in municipal administration, an appraisal technique providing greater scope for subjectivity and determining career advancement prospect, could be used more vigorously to further perpetuate loyalties to individuals than promote the concern for better job performance. Widespread distrust and dissatisfaction in ACRs as instrument of appraising employees' performance and in the procedures followed in their use, create pressures in favour of seniority, an objective criterion, as the basis for promotion and with its consequent adverse effects on employee's motivation. It is, therefore, essential that municipal management structure, its staffing pattern and the procedures followed in the use of ACRs should be reviewed with a view to insulate personnel functions from political interference and to bring performance orientation to municipal administration. ☐

# LOCAL GOVERNMENT AND CENTRAL CONTROLS : A FEW OBSERVATIONS

OMPRAKASH MEHRA

How deeply comforting a situation it could be in which rather than being bedevilled by the age-old dilemma of 'Central Control' vs 'Local Autonomy' one could set it rest with one simple answer. But perhaps the controversy is inevitable. On the one hand, we have had de Tocqueville<sup>1</sup> wincing at the thought of "shattering of human will" and of "nations being reduced to be nothing better than a flock of timid and industrious animals of which the government is the shepherd", while on the other hand, proponents of the idea of central control as an inescapable fact of a complicated and progressive economic and the social life.<sup>2</sup> We find the debate in England—a nation of firm belief in local democracy and autonomy—and we find it in majority of the developing nations, wanting to educate their people in the political process and self-government. In a few countries in Africa, we find even a complete rejection of the idea of local government (after first having been given a trial)—with a view to achieve political unification and strength, first.

The scenario is different in different countries at different stages of political development. What is common is the debate between 'central control' and 'local autonomy' itself. The question whether existence of central control is support to, or an attack upon effective local government, cannot be satisfied by a simple choice between the two. It requires us to think about further questions like—whether central control is inevitable and necessary, whether we can realistically think of situations of 'total central control' and 'total local autonomy' and whether it indeed is a question of the degrees, areas of application and methods of central control as well as the principles on which these should be determined to ensure effective local government.

It appears that empirically and theoretically the inevitability of some

<sup>1</sup>Tocqueville, Alexis de, *Democracy in America*, abridged edition by Richard D. Hiffuner, New York, New American Library, 1963.

<sup>2</sup>Hunter, Guy, *Modernising Peasant Societies : A Comparative Study in Asia and Africa*, London, OUP, 1969, p. 195.

central control can be proved. Depending upon particular circumstances at various points of time in history, the balance may have oscillated between central control and local autonomy but there has been no time when the former was done away with completely. In England, for example, from Chadwick's introduction of 'inspection' as an instrument of central control in 1834 to the break-up of 'Central Board of Health' in 1858 we witness the balance turning from central control to local autonomy in England. The need for a strong centre for fighting a war, the first World War, tilted things in favour of centralization. The presumption in favour of centralization gradually lifted off in the post-war period enabling the local government system to reach the zenith of autonomy by 1939. Then the Second World War came and things were different again. So much so that it is commonly felt that fighting a war and then reconstructing a war-torn economy require the central government to intervene in public life and affairs in a big way. That is why since 1939, the trend of centralization has never looked back<sup>3</sup> excepting attempts at reform through the "Maud Committee on Management" and that the Maud Committee noticed a certain reluctance in the Central Government and Parliament towards local autonomy<sup>4</sup>. Empirically, central control has come to stay as necessary and inevitable.

Theoretically, according full freedom to local government would result in a federation of largely independent committees—a situation unacceptable to a sovereign nation state.<sup>5</sup> There are functions of national importance which cannot be handed over the local governments. Such functions are law and order, Military control and defence, tariffs and fiscal policy, supply and transport, control of scarce resources, planning policy and framework, provision of infrastructure and raising funds for social and economic investment, etc. Even in functions that are absolutely local in nature (e.g., civic amenities and markets, etc.) with increasing awareness in the people a certain amount of uniformity of standards has to be maintained all over the country requiring fixation of such standards of performance and efficiency centrally.

The question, then is not of a 'yes' or a 'no' for central control, but essentially of 'how much of it', 'how to be exercised' and 'for what purpose'. Of course it will also be determined on the basis of the manner in which the local government structure is integrated into the total structure of

<sup>3</sup>Paradoxically enough, whilst development needs point to decentralization, in both underdeveloped and developed countries alike, the trend is towards centralization. Mad-dick, Henry, *Democracy Decentralization and Development*, Bombay, Asia Publishing House, 1963, p. 28.

<sup>4</sup>*Report of the Committee (Maud Committee) on the Management of Local Government*, Her Majesty's Stationery Office, 1967.

<sup>5</sup>Richard, Peter G., *The New Local Government System*, London, Allen and Unwin 1968.

administration in a country. For instance, the local governments of France being part of the governmental hierarchy, carry out central government orders just like the field officers raising less of the above controversy, unlike England.<sup>6</sup> Professor Maddick relates the degree of control to the stages, the development of local government in a country.<sup>7</sup> In the initial stage the central government is the tutor and the local government the pupil, moving on to relationship of senior and junior partners and ultimately of equal partners, as the local governments grow and gain strength. While this analysis may be partly correct in the sense that central control will be largely influenced by the maturity of the local governments the sequence that it forecasts may not be of unfailing validity. History of central control on local governments in England bears testimony to this doubt. The growth of central-local relations need not necessarily follow a fixed sequence. The relations are determined not only by the maturity of the local governments but also by their capability, their financial strength and above all considerations of national interests over local interests.

There can be no dispute in the proposition that, necessary as it is, central control must be either so hard as would result in getting its approval every time a bull-dozer is to be moved (Turkey), or so feeble as to allow municipalities to build a hospital but not to run it. Absurdities of the first kind support the argument that 'existence of central control is an attack on effective local government'. Despite realization on the part of all concerned that the role of central control is not to stifle local initiative but to encourage and support it, such absurdities do occur. Why? May be, for an answer, we may have to look into relevant facts of history, ill-designed procedures of control, rigidity, of human attitudes, apathy to change and improvement, narrow and coloured perceptions of national and local needs by different people and above all, human failing expressed through the various methods and processes of central control. It will be useful to look at these as also to the manner in which they tend to become supportive or obstructive.

Parliamentary sanctions form the first type of central controls. It is argued that allocating only specific functions (as in England) and not 'allowing general powers with restrictions on specific functions not meant for local authorities' (as in Federal Republic of Germany) inhibits the former and allows greater scope for self-government to the latter.<sup>8</sup> In England, for instance, local authorities cannot do what they want to do

<sup>6</sup>Chapman, Brian, *Introduction to French Local Government*, London, Allen and Unwin, 1953.

<sup>7</sup>Maddick, Henry, *op. cit.*

<sup>8</sup>Bruno Weinberger, "The Changing Financial Relationship between State and Municipality", IULA : Studies in Comparative Local Govt., Vol. I, No. 1, p. 6. Also see D. Senior, Memorandum of Dissent to the Royal Commission on Local Government in England for similar view.

if the activity is *ultra vires*. The so-called method of Private Bills (example. Birmingham Municipal Bank) is often 'a formidable obstacle race'.<sup>9</sup> But this control is not so obstructive, nor the control by way of withdrawal or usurpation of local government functions (like Gas, Electricity, etc., being withdrawn in England) as the control through central intervention even in functions legally given to local authorities. 'Even in those fields in which the local authorities still have some freedom of action, there is a hesitance to use that freedom as they used freedom in the past—the result, we believe, of a sense of frustration'.<sup>10</sup> Controls that can be so frustrating—if not conceived of and applied imaginatively and reasonably—are the 'administrative' and 'financial' ones.

Financial controls are crucial in making the central supervision 'supportive' or 'obstructive'. With increase in local government activities in scale and variety, it is but obvious that their financial requirements go up. Local tax yields being rigid, grants from central government assume greater importance. Sweden could reduce dependence on central grants by introducing local income tax, but in most other countries (Federal Republic of Germany, Netherlands, Japan, Austria and England) there was either a drop in or stagnation of municipal resources in the recent past. Obvious consequence is either withdrawal of a function (as evidenced by take-over of primary schools by Central Government in Italy) or increase in central grants, such grants most often being tied down to specific projects. In spite of some optimistic interpretations these basic trends in the different countries are seen, on the whole, as having a negative effect on municipal autonomy. If functions were not actually transferred to the State on financial grounds, adequate financial arrangements could be gained only at the expense of considerable openings for State-intervention.<sup>11</sup> Coupled with this is the dogma of "He who pays the piper calls the tune", resulting in clumsy, patchwork on normal relation—the over-loading of the central government officials and the meek surrender of the local government over accepting the restrictions—reasonable or unreasonable so long as central finances keep on coming in.

Central Government grants are not bad things in themselves—the manner in which they are operated make them obstructive rather than supportive. Realising this, in England<sup>12</sup> from 1st April, 1959, the system of specific grants was replaced by general grants, which now account for 67 per cent of the total grants to local authorities. The central control in this behalf has indeed turned from 'obstructive' to 'supportive' by reforming its nature and its method of application.

<sup>9</sup>Richard, Peter G., *op. cit.*, p. 48.

<sup>10</sup>Local Government and Central Control : A West Midland Group Study, p. 2.

<sup>11</sup>Bruno Weinberger, *The Changing Financial Relationship between State and Municipality*, *op. cit.*, p. 6.

<sup>12</sup>White Paper (Local Govt. Finances) 1957.

'Audit' is another method of financial control on local governments. This provision is coupled with the principle of *ultra vires*. An action of the local authority is *ultra vires* if it is beyond legal authority and can result in surcharge. Factors like prejudice of the auditors, the sheer incomparability of subjective judgements (one that of the auditor and the other that of the councillor) regarding the propriety of an action, and political misuse of this power by the central political executive to run down the opponent political group in the local government (as evidenced in some cases of municipal councils in India)—will turn this into an obstructive control. If, however, it is used as an instrument of financial advice and training rather than as a fault-finding and condemnation machine, it can be a supportive control. In England, for example, this power is now used less and less for surcharging. This may well be due to increasing competence and vigilance of local authorities themselves as well as greater political responsiveness of the people. On the other hand in India, for instance, examples both of misuse of public funds by councillors as well as misuse of the surcharge clause based on personal prejudice and/or political victimization are not rare. Perhaps it is yet difficult to plead for or against such controls in the case of developing countries—particularly those where on the one hand, local authorities are still not mature while on the other, exercise of political power has not yet achieved a healthy ethos.

Then, there are the administrative controls comprising of subordinate legislation by the Ministers, executive directions, control over appointment, remuneration or dismissal of local government officers, requirement of submission of local schemes to central government for approval, power to approve byelaws, 'default' powers, appellate powers, powers to approve the budget and inspections. It is agreed that through all these administrative controls the principle of 'accountability' must operate. "There will always have to be accountability to the national authority ultimately responsible for the affairs of the State as well as accountability at Law". But accountability is always for 'acts done' not for 'acts contemplated'. The former is reasonable inasmuch as it will save local authority from repeating the mistakes but the latter—asking them to get prior approval for everything they contemplate doing—will lead only to inhibition, delay and constraint. It will convey a secret lack of trust and hence, as a result, frustration.

Such over-enthusiastic controls will add to the central Government's own problems too—over congestion of work burden of routine leading to neglect of policy, an over-loaded Parliamentary and cabinet system. Many such controls tend to stay just due to neglect. They may have been introduced at a time when they were necessary but now they may be out of context. They may have over-stayed simply because none noticed their irrelevant existence. There may be yet others that serve only a limited purpose but cause a greater disservice. Peter G. Richards quotes

an interesting example. It appears that Section 8 of the Public Libraries and Museum Act 1964 of England permits the Secretary of State for Education and Science to decide the scale of fines for books over due from public libraries. Isn't it impossible to provide adequate justification for a control of such a petty nature?<sup>13</sup>

Such considerations justify reform of the control system. In recent years such reforms have been introduced in most of the western countries. In England now, for instance, all capital projects do not need prior approval—excepting only those in the key sectors—the locally determined sector being left at the discretion of the local government. In Denmark, changes were introduced in 1970, in the distribution of local government powers and steps were taken for equalization of their fiscal burden. In England again, Maud Committee on Management suggested revision, reduction and simplification of central government control, abolition of the power to prescribe committees veto of appointments and control of details of capital expenditure.

We have seen that central control is unavoidable and necessary. We have seen, by examining a few important controls, how their degree and method of application can be either supportive or obstructive to effective local government. More specifically the central control can be meaningful and supportive :

- (a) by replacing the present organizational jungle by a system to ensure proper development and maintenance of local government services and also to ensure rectification of improper administration and ineffective services;
- (b) by clearly outlining the processes and parameters of central control, and ensuring that these limits are not transgressed; and
- (c) by making the limits of autonomous action explicit and public in terms of cost adequacy and public expenditure.

There is no wisdom in taking an exceptionally gloomy view like Michel Grozier does when he comes to the conclusion that a bureaucratic system of organization is incapable of learning from its mistake.<sup>14</sup> Indeed the essential question to ask about central government control is whether it is most likely to develop the sort of local government which can make the greatest contribution to development on all fronts.

<sup>13</sup>Richard, Peter G., *op. cit.*, p. 158.

<sup>14</sup>Grozier, Michel, *The Bureaucratic Phenomenon*, Chicago, University of Chicago Press, 1964, p. 198.

# STATE-LOCAL FISCAL RELATIONS IN INDIA : SOME VITAL ISSUES

K.M. RAIPURIA

The study of local finance is that part of public finance which is concerned with the economic activity of small governments—local bodies—in a restricted locality and has been a “comparatively neglected part of public finance.”<sup>1</sup> Much more neglected has been the subject of state-local fiscal relations. The investigation in this aspect is important to the extent the role of local bodies in civic life is recognized. The subject is of interest also in the light of steadily growing influence of state governments over the local bodies.

There are three conditions which shape the relationship between the states and the local authorities: (1) constitutional arrangements, (2) functions and scope of the local body in civic life, and (3) the dependence of local authorities on the states of finances.

## CONSTITUTIONAL ARRANGEMENTS

Though local government is a state subject, the Constitution has recognized that local government institutions are essential part of the National Government (Article 12). The subject of local government appears under Entry No. 5 of List II of the 7th Schedule of the Constitution. They are the creation of the State governments who have the responsibility for providing adequate finances to them because there is no separate ‘local list’ along with Union, State and the Concurrent Lists. They possess those powers and functions which are specifically delegated to them by the Acts passed by the state legislatures. Then, they are subject to statutorily defined supervision and control by the state governments.

In all the states, generally, there is a Department of Local Self-Government which has powers of making regulations, obtaining information, inspection, sanctioning taxation and loans, approving budgets, auditing accounts, establishing qualifications and salaries of staff, sanctioning high

<sup>1</sup>Venkataraman, K., *Local Finance in Perspective*, Bombay, Asia Publishing House, 1964, p. 1.



appointments and training the personnel, hearing appeals against punishment, and deciding disputes between municipalities.

Broadly, we can distinguish three main lines of relations between the state government and the local authorities. Firstly, the powers and functions of local authorities are defined by the state. Secondly, the state acts as a watchdog so far as the financial administration is concerned. Thirdly, the State is responsible to provide finances to meet the assigned functions to them either through shared taxes or shared tax receipts or direct grants and loans.

Thus, "in State-local government relations, local government must inevitably be in the position of the junior partner."<sup>2</sup> But it may be pointed out at the outset that the importance of the local bodies as 'primary schools of democracy' in India implies strong and independent-minded local authorities. They serve where they are in close association with the electorate and consumers whom they provide the 'merit goods'. A right relationship, therefore, is called for between the state and the local bodies. Mrs. Hicks suggests that "optimal relationship would be partnership of two active and cooperative members" though the "State Government will remain the senior partner."<sup>3</sup>

#### FUNCTIONS AND SCOPE

The conception of right relationship between state and local government should emerge from the purpose and scope of local government. Local authority function includes a wide range of activities which promote human comfort and welfare. Generally, they have two types of functions : obligatory and secondary. The obligatory functions include those essential activities such as street lighting, public sanitation and health, public convenience, public safety, etc. The notable feature of the scope and functions of municipal bodies is that there is an "irreducible number of functions" on which they focus and which they must finance either through their own sources or with the help of the state government. The problem of State-local fiscal relations emerges from the above, and the magnitude of the problem gets limited from this fact alone.

#### LOCAL FINANCE AND ROLE OF STATE ASSISTANCE

A vicious circle of weak finances and limited low level services prevails at the local level. In India, local bodies are caught between two conflicting forces : insistence on a high level of services and precarious finances. They have to depend on the states for funds due to their

<sup>2</sup> *Augmentation of Financial Resources of Urban Local Bodies*, Report of the Committee of Ministers constituted by the Central Council of Local Self-Government (popularly known as Zakaria Committee), 1963, p. 57.

<sup>3</sup> Hicks, Ursula, *Development From Below*, Oxford, 1961, p. 437.

percarious finances. Thus, "the system of grants-in-aid to local authorities to perform their functions, has developed out of necessity. As the central and state governments burden the local authorities with more and more functions, they have a moral obligation to assist them to carry out these functions particularly when the principal sources of revenue have already been tapped by them."<sup>4</sup>

The grants-in-aid form one of the important sources of revenue at local level all over the world. It has been estimated that in U.K.,<sup>5</sup> grants constituted about 42 per cent of the total local revenues in 1961. But it is emphasised that this share should come to them 'as right not privilege'.

In India, ordinary grants formed 15.2 per cent of total income of all urban bodies. But the picture is not that wholesome. It was as much as 42.1 per cent in Orissa and as low as 1.3 in Punjab.<sup>6</sup> This very well indicates the extent of direct dependence of local bodies on the State for their finances.

The system of grants had its beginning with a Government Resolution of 1882 in which it was stated that the Provincial Governments should apply to their financial relations with local bodies the same principle of financial decentralization which the central government had adopted in its relation with the provinces.<sup>7</sup> Under Article 40 of the Constitution of free India the grants received further encouragement.

## II

The growth of the system of grants has been a significant feature in the evolution of State-local relations in recent days. It has been used on the one hand to establish a uniform standard of efficiency and on the other hand, to maintain the zealously guarded autonomy of the states and the local bodies.

### VITAL ISSUES

In this regard, the vital issues for study could be as follows : (1) What are the factors which necessitate grants ? (2) Are the sphere of local taxation unduly encroached upon by the State Government ? If so, whether the grants compensate for the loss of revenue from taxes, *i.e.*, do they make up adequately for any encroachment upon the legitimate sphere of taxation of municipalities ? (3) How does the present aid distribution pattern compare with major alternative formulae ? (4) What are the principles adopted in distribution ? Are the grants linked with the local tax effort ? (5) In the present system, whether the dependence on the

<sup>4</sup>Zakaria Committee Report, *op. cit.*, p. 56.

<sup>5</sup>*Ibid.*

<sup>6</sup>*Ibid.*, p. 356.

<sup>7</sup>*Local Finance Enquiry Committee Report*, 1951, chapter 1, p. 9.

State has made the local authorities just agents or partners? Does it hamper the local autonomy? We will examine the first three, one by one, in the following section and the last in Section III.

Local authorities which are most suited to administer some public services are not always the best to raise revenue to implement these services. Thus the need for grants arises due to several factors, to stabilize revenues for "irreducible number of functions", to see that all municipalities grow regardless of the financial conditions of the local government, to develop essential services and to encourage certain programmes and policies for them and sometimes to cover the increased cost of administration. It is argued that grants also facilitate state's control and coordination and serve the purpose of shifting the burden of equally rising costs from regressive local taxation to the more progressive State taxes.

Despite these factors which necessitate the distribution of grants by the State to the local bodies, the fact remains that they are "expensive, irritating and out of harmony with the principles of local government."<sup>8</sup> It is because, by definition they mean "a sum of money assigned by a superior to an inferior governmental authority either out of the exchequer of the former or out of the sources of revenue especially designated."<sup>9</sup>

#### LOST OPPORTUNITY

It is obvious that lucrative sources of revenue have been taken over by the State. One example is entertainment tax. It has been shown<sup>10</sup> that the "time rate of growth" ( $\frac{\Delta R}{R} \Delta/t$ , where R stands for tax yield and t for time) of State's taxes, such as sales tax, has been more than one while that of the important municipal taxes, such as octroi, less than 0.50 during the period 1951-52 to 1964-65. These rates could be compared with that of national income which was little more than one during the same period.

Actually, the tax systems of local bodies present the situation of 'lost opportunities'. There is no list of taxes reserved for them. The utilization of buoyant taxes by State is justified on the ground of increasing demand made by the requirements of the plans. But it is equally justified to assign some buoyant taxes exclusively to the local bodies to meet their financial requirements. According to the Taxation Enquiry Commission

<sup>8</sup>Report of the Study Group of the Royal Institute of Public Administration, 1956, as quoted by Zakaria Committee.

<sup>9</sup>*Encyclopaedia of Social Sciences*.

<sup>10</sup>Raipuria, K.M., "Municipal Finance : Time Rate of Growth", *The Economic Times*, 5th November, 1969.

(1953-54), the following taxes should be reserved for local bodies :

1. Tax on lands and buildings popularly known as property tax;
2. Taxes on the entry of goods into the area of local authority for consumption, use or sale therein—popularly known as octroi;
3. Taxes on professions, trades and callings;
4. Taxes on vehicles, other than mechanically propelled;
5. Taxes on animals; and
6. Taxes on advertisement other than newspaper advertisements.

The Zakaria Committee (1963) has further added that, in principle, all duties on entertainments such as entertainment tax, theatre tax, show tax and surcharge on entertainment tax should be assigned to the local bodies. If the maximum rate of tax and the type of entertainment which would be taxed are statutorily laid down by the State, each local authority can exercise its discretion to administer this tax within those limits. In some of the States like Tamil Nadu and Kerala, the entire proceeds of the entertainment tax are being handed over to the local bodies. The Committee has recommended that, to begin with, at least 25 per cent of the proceeds may be earmarked for urban local bodies and the percentage could gradually be raised. As for motor vehicle tax also, the Committee has recommended the same. As for compensation in lieu of certain local taxes which are either provincialized or abolished, the Committee recommended the formula of per capita incidence of this particular tax *in the State* multiplied by the population of the *urban local* area concerned. To begin with, the implementation of these recommendations could be a very useful step towards improving the finances of local bodies in particular and State-local fiscal relations in general.

#### TAX SHARES VS GRANTS

Any way, assignment of sources of revenues should be preferred, in our view, to grants-in-aid because the source from which the money is paid, is stipulated by law and there is less ire in distribution as compared to grants. It was also the view of the Local Finance Enquiry Committee (1951). Later, the Taxation Enquiry Commission (1953-54) and the Zakaria Committee (1963) favoured grants instead of sharing tax receipts because the latter fails to tackle the problem of unequal resources and they are not given on the basis of needs. But equally true is the fact that little progress has been made so far by the State Governments towards evolving well-defined principles for the distribution of grants. Moreover, we found that there was no correlation between the grants received by local bodies and the tax effort made by them. In some cases, the correlation was negative. It should be seen that a municipality which does not utilise its existing sources of finance is made to utilize its powers of taxation. State Government should, of course, take the responsibility of guidance and training, if there are problems of assessment and

personnel.

The system of grants-in-aid is by no means unassailable. At the Pali Conference of Municipal Executives of Rajasthan held in 1963, the view expressed was that the ultimate aim should be to do away with the system of giving doles with so many strings, by revitalising the municipal finances by means of assignment of legitimate sources of revenue to them and encouragement to utilize the existing untapped sources of taxes allotted for local taxation.

As for devolution of funds, the following principles were laid down by the Taxation Enquiry Commission:

- (i) It is as essential to ensure the devolution of suitable taxes to local bodies as to avoid the transference of unsuitable ones.
- (ii) The devolution should be sufficiently prompt, flexible and diversified. When a general sanction would be sufficient, the obtaining of sanction in each individual case should not be insisted upon.
- (iii) Devolution should take sufficient notice of the different degrees to which different powers could be devolved on different categories of local bodies.
- (iv) Over-lapping and uncoordinating tax jurisdiction should be avoided.

These are general principles and must be taken into consideration by the States for ensuring the evolution of a proper fiscal system.

### III

Certain amount of State control is justified to safeguard against possible prodigality and to stress parsimony in expenditure at the local level. Local authorities rarely follow the canons of municipal finance<sup>11</sup> not even the canon of 'first things first'. It can be observed, for instance, that in the budgetary process of local bodies, Parkinson's Law of Triviality operates. The time spent on any item of the agenda will be in inverse proportion to the sum involved. The budget is generally the commissioner's budget. But what is required is 'conditional freedom' and not a system which hampers local autonomy. It implies a system based not on grants and minor controls but "which gives to local councils the greatest possible measure of freedom to explore certain fields of taxation", for "developing a sense of financial responsibility. The officials who spent the money will have the responsibility of defending their actions before the voters. Accountability to tax payers will result in incentive towards improved economy and efficiency."<sup>12</sup> Argal has gone to the extent of saying that "they must have the power to make mistakes and to learn by making mistakes but

<sup>11</sup>Raipuria, K.M., "Canons for Municipal Finance in Less-developed Economy". *Quarterly Journal of Local Self-Government, Institute*, Bombay, April-June, 1967.

<sup>12</sup>Zakaria Committee Report, *op. cit.*, p. 55.

they must also receive guidance which will help them to avoid making mistakes. In the ultimate analysis the local institutions must be an instrument of expression of the local people's will in regard to the local development."<sup>13</sup> For instance, the Fourth Plan document emphasized the importance of area planning and evolution of growth centres. Local governments are expected to play a major role in this.

#### MAKING THE RELATIONS VIABLE

In our view, to make the State-local fiscal relations viable in the future, certain institutional reforms are called for. To have a proper balance between the need of local autonomy and proper State supervision guidance and control, and to replace the Local Self-Government Department in the States, an institution like an Urban Development Authority (UDA) in each State is suggested. It will continue to perform a multiplicity of functions, but it will have an advantage of having some 'autonomy' over the existing agencies. The main change envisaged is that the UDA will act more as an agency safeguarding the interest of the municipalities. It will also act as a guide, a tutor and a mechanism through which the municipalities could present their problems and requirements. As regard finances, the municipalities themselves will, of course, have to take bold steps to mobilize the available resources. Through such an agency they can try to overcome the hurdles in the process of mobilization, such as encroachment upon their field of taxation by the State Government.

At present, the local authorities are collectively unable to do anything effectively. The problems of local government as a whole goes by default. There is also need for a single, powerful association to look after the interests of local bodies because many of their interests are common and they share a common interest in their relationship with the State Government. The Royal Commission on Local Government in England (1969) made a strong case for such an association<sup>14</sup> for viable state-local relationship in the U.K.

For the purposes of grants and loans to be provided to the local bodies according to some principles, the Rural-Urban Relationship Committee in its Report (1966) recommended setting up of a Municipal Finance Commission. Since the idea conceived was to offer loans for municipal enterprises, even if such corporations are set up at the State level, the vital issues discussed above will remain unsolved. Actually, so far, no effort has been made in this direction also.

It remains to be realized that planned process of development rests on local initiative. It is at this level that the task of providing the services

<sup>13</sup>Argal, *Municipal Government in India*, Agarwal Press, Allahabad 1955. p. 227.

<sup>14</sup>Report of the Royal Commission on Local Government in England, Vol. I, 1969, p. 32.

needed for development in urban areas and improvement in living conditions can be undertaken. To back the local authorities with sufficient resources, what is needed is to add a new dimension to state-local fiscal relations—a dimension that perhaps was not visualized at the time of the preparation of the Constitution where no separate list for local bodies has been provided and the local bodies were left at the mercy of the State Government. □

# SUBSTITUTION OF OCTROI

CHARAN D. WADHVA

The working of octroi as a source of local finance has been subjected to review directly or indirectly by various committees and commissions set up in the past both by the Government of India and the State Governments.<sup>1</sup> The most recent of these has been the Octroi Inquiry Committee set up by Gujarat Government in 1970. The major questions examined by the expert bodies in the context of the evaluation of octroi system have been the following :

1. Is octroi a bad tax in theory and/or in actual practice?
2. Must it be abolished? If so, should it be abolished at one stroke or gradually?
3. If it is to be abolished, which other tax (or taxes) should be substituted in its place for compensating the local bodies for the actual and potential financial loss overtime due to abolition of octroi? Is it practical to do so?
4. What special problems will arise as a result of the proposed substitution? How can these be solved?

This article attempts to answer some of these questions primarily from an economist's point of view. It is divided into three parts. Part I deals with an assessment of octroi as a tax. Part II discusses some of the alternatives to octroi and presents the author's choice among them. Part III concludes the paper with the limitations of the proposed substitution and lists the measures to be taken by the appropriate authorities to make the new system work as planned.

## NATURE OF OCTROI

Octroi is a tax on the entry of goods into a local area from other areas of the country for 'consumption, use or sale therein'. Goods meant

<sup>1</sup>For a listing as well as summary of the views of the major committees and commissions who have examined the question of octroi in the past, see *Report of the Octroi Inquiry Committee* (Gujarat), 1970, Ch. 3. All references to the figures provided in this article are from this Report.



for immediate export and goods intended for temporary stay and subsequent export are obviously outside the purview of octroi tax. Accordingly, refund of any octroi collected by local bodies on the goods later exported from the area is an integral part of the octroi system of local finance. It is one of the oldest taxes in India and has been a major source of revenue of local bodies in many of the States of the Indian Union. In this section, we will be referring to the working of octroi in Gujarat for illustrating the point under discussion. However, much of what is being said in the context of the experience of Gujarat is likely to hold good in other States also where octroi provides a major source of local finance.

### EVALUATION OF OCTROI

Is octroi a good tax or a bad tax? What does economic theory have to say in assessing octroi as a tax? How does octroi work in practice? What are the effects of octroi as it operates on the economic activity and economic well-being of the residents of the local area *vis-a-vis* the residents of other areas, particularly those areas which are either not levying octroi at all or are levying at lower rates than the local authorities of the area under consideration? Answer to these questions would help us to make a judgment as to whether the octroi system should be continued or not.

In evaluating a tax system, text books on public finance usually list the following canons of taxation :

- Equity;
- Certainty;
- Convenience;
- Economy;
- Productivity;
- Elasticity;
- Diversity; and
- Simplicity.

Even though the above mentioned canons of taxation are usually listed for evaluating the tax system of the country as a whole consisting of various types of taxes (e.g., the canon of 'diversity' explicitly refers to the existence of a mix of a number of different types of taxes in the structure of taxation), most of these canons can be applied to evaluate the goodness of a particular tax, such as octroi. This is what I propose to do in the following few paragraphs.

Is octroi in line with the canon of equity? Equity requires that the burden of tax be distributed in accordance with the principle of ability to pay. Ability to pay is usually measured by the income and wealth of an individual. Since octroi is an indirect tax, it is usually regressive. This is clearly so in the case of those local bodies whose largest octroi revenue

is from octroi on items like foodgrains and other necessities which are usually consumed more by the poor. Even though the typical octroi schedules of local bodies usually exempt, among others, such items as fodder, grass, green vegetables, green fruits, living animals, etc., usually relating to the profession of agriculturists and articles of hand-spun and hand-woven 'khaddar' (coarse cloth) and certain approved products of small scale industries providing source of income to poorer sections and consumed by poor people and rate of octroi tax is higher for some clearly high-priced article of consumption like electricals, furniture, etc., consumed by the richer sections in the urban areas, by and large, octroi is likely to be working as a regressive tax. Moreover, irrationalities of octroi schedules charging taxes on some items on *ad valorem* basis and on some other items on specific (per unit) basis provide scope for regressive character of this tax. Certain amount of inequity would always be built in due to indirect nature of this tax. If so, the octroi tax cannot be called a good tax from the point of view of equity.

As far as the canon of certainty is concerned, the octroi schedules specify the rate, time and manner of collection of the tax but not entirely. There are certain unclassified items on which even the assessing officer at the octroi post is not clear as to whether the item is subject to octroi and if so at what rate. The same is true in the case of those items which are exempted for 'new' industries where it becomes difficult in operational terms to distinguish between items intended for 'new' versus existing industries. Manufacturers and traders who are in the export (inter-State or international) business are not certain about the volume of their goods on which they would be required to pay octroi. There is much less certainty for them as to whether they will be able to apply for refunds within the allowed time limit and ultimately succeed in getting back the refunds due to them.

Octroi can be very severely criticized on the grounds of inconvenience caused to the tax-payer. Octroi check posts which detain vehicles on the road frequently and try to conduct physical search of the packed goods cause great inconvenience to the traffic and the tax-payers. The owners of the goods or their agents or employees of trucking organizations have to talk to petty clerks who demand bribe for letting the former pass through the barrier soon and at lesser cost for paying octroi than otherwise due from them or face harassment. These operators at the check-posts are inefficient and often make mistakes which are costlier to be corrected later by the tax payer. There is an abnormal delay in getting back refunds which adds to the inconvenience of the tax-payers. Traders find the octroi system to be very irksome.

Octroi is by no means a good tax relative to other taxes with respect to the canon of economy in terms of the administrative cost of collecting this tax. Thus for example, for all local bodies taken together for Gujarat

State, the Report of the Octroi Inquiry Committee (Gujarat) states that the cost of collection of the State sales tax is 2 per cent of sales tax income. The relevant cost of collection of octroi is 4 per cent in the case of municipal corporations, 11 per cent for municipalities, 18 per cent for nagar panchayats and 15 per cent in the case of gram panchayats.

Octroi is one of the most productive taxes of local authorities. The canon of productivity refers to the generation of adequate funds from the tax under consideration. For all the local bodies taken together for Gujarat State, figures provided in the Report of the Octroi Inquiry Committee reveal that octroi income alone constituted 38 per cent of the total income of these bodies in 1969-70. Local bodies point out that octroi provides them with not only sizable chunk of their total income but also a source of daily vital income with minimum arrears for collection of such dues.

However, the way octroi system has been functioning, it has not been as productive a tax for local bodies as it is capable of being even with existing octroi rates. Avoidance of octroi by passing through the routes on which octroi checkpoints have been located and evasion of octroi dues with or without the connivance of the officials at the checkpoints are well-known phenomena. It is difficult to quantitatively estimate as to what part of the full value of octroi tax due from tax-payers (if there was no avoidance or evasion) goes to the local bodies as revenue and what part goes as private income to those officials who administer octroi while accepting bribes and finally what part is 'saved' by the tax-payers. In actual practice, octroi system has institutionalized corruption. Not that corruption does not exist in the administration of other taxes; one gets the feeling by actually passing through the octroi checkpoints that it is visibly much more prevalent here.

Octroi scores a plus point on the canon of elasticity of tax structure. This canon requires that it should be possible to increase or decrease tax revenue according to need. As the needs of local bodies for funds have been constantly increasing overtime, this canon boils down to the requirement of a high rate of growth of tax revenue overtime. For most local bodies, octroi has not only been a productive tax, it has also shown inherent capacity for growth at very high rates overtime. Thus for example, the Octroi Inquiry Committee (Gujarat) has worked out the annual average rate of growth of octroi income over the period 1961-62 to 1969-70 to be around 14 per cent in the case of municipal corporations and 10 per cent in the case of both municipalities and nagar panchayats, yielding an average annual rate of growth of 12 per cent for all these bodies taken together.

Octroi is certainly not a simple tax whose rate structure and clauses every tax payer can remember and compute his tax liability on this account. A look at the octroi schedule available with the assessing officer

will testify this point.

I now turn to the analysis of the effects of octroi on the economic activity in the local, state and national level economy. Economic theorists usually study the effects of taxation in terms of allocation and supply of resources (productive efficiency) and welfare (consumption efficiency) of the residents of the region.

Octroi is an artificial barrier to trade and restricts the growth of economic activity. Even though it is primarily levied by local bodies for revenue purposes and neither for balance of payments objective nor as a protective measure for domestic industries, in its effects, octroi is very similar to the customs duty levied by national governments on imports of goods from other countries.

The imposition of octroi on the raw materials and other inputs (like machinery) directly increases the cost of production of manufacturing units within the local area and reduces the competitive position of these units *vis-a-vis* other units located in other areas where octroi is not levied. Differential rates of octroi on goods practised by various States distort the comparative cost structure of the traded goods.

The levying of octroi on the finished goods again raises the supply price of the manufacturer/trader from whom the octroi dues are initially collected. The suppliers of these goods try to pass on the burden of this tax forward to the consumers in the shape of higher prices. The degree of shifting of the burden of the tax to the ultimate consumers depends on the relative elasticities of demand and supply. The more inelastic the demand and more elastic the supply of the product in question, under competitive conditions, greater burden of octroi (as a per unit tax) will be shifted on to buyers. To the extent that prices rise as a result of imposition of octroi, the welfare of the consumers of the area will be reduced. Keeping other things constant, to the extent octroi rates levied by different local bodies in the country are different, trade diversion would take place—consumer tending to purchase goods from the areas where octroi rates are lower with discouraging effects on the producers and traders in the local area.

Both productive efficiency (maximizing production according to principles of comparative advantage) and consumption efficiency (free availability of goods at the lowest price) in the local area is, therefore, reduced with the introduction of the artificial barrier of octroi tax.

For the national economy, there are some additional harmful effects than would be shown by adding up the effects of the local areas described above. These relate to the harmful effects on the intermediate distributive industries such as the transportation industry. Since octroi checkpoints detain vehicles frequently, this would reduce the turn around time of the trucks, etc. This would prevent the full utilization of capacity in the transport industry. Ultimately, of course, this also would get translated into higher effective supply price and purchase price and affect

both the 'productive efficiency' and the 'consumption efficiency' described above.

Thus, weighing the pros and cons of octroi as a tax, it can be said that octroi is a bad tax both in theory and in practice. On theoretical grounds, there is a very strong case for the abolition of octroi. The question whether it should be abolished at one stroke or gradually is a matter of political expediency in achieving the objective. It is not easy to demolish a time-tested lucrative source of local finance and the structure that goes with it despite its faults. If the authorities can be persuaded to abolish it at one stroke, it would be a preferred method to the alternative of abolishing it gradually. However, if it is chosen to abolish octroi gradually, the process should not be 'too gradual'. In the light of our conclusion, the question of devising a 'satisfactory' substitution to octroi does become very important. This is dealt within the next section.

#### FINANCIAL IMPLICATIONS OF ABOLITION

The financial implications of the abolition of octroi on the resources of the local bodies cannot be taken lightly in view of the fact that octroi accounts for a lion's share in the total tax revenue of most of these bodies. Thus, in the case of Gujarat, the Report of the Octroi Inquiry Committee points out that for all local bodies in the State taken together, revenue from octroi accounted for nearly 54 per cent of the total tax revenue of these bodies in 1969-70. If these local bodies are to perform the functions which they are performing, they have obviously to be compensated for the loss of their income due to the abolition of octroi. These bodies have to be compensated not only for loss of their present income from octroi but also for the loss of potential income from that elastic source of revenue which could not be tapped again. If no compensation is to be given, the local bodies will have to make their own efforts to raise the requisite amount of resources in order to maintain their present activities. In this case, there will be a clear need for substituting octroi by some other tax(es).

From the point of view of the local bodies, the easiest solution to the financial loss suffered by them due to abolition of octroi may be to recommend that the State government should compensate these bodies every year to the extent of potential loss of income from octroi calculated properly. This may be done by giving grants to the local bodies to that extent. The question that arises is as to how the State government is likely to raise funds to effect such compensation since the State itself usually runs large deficits and looks forward to the Central Government for grants and overdraft facilities. The need for raising resources by substituting other tax(es) in place of octroi must be faced ultimately.

The procedure of compensation for loss of potential income from octroi by grants from the State may not be welcomed by those local bodies who

consider this to be reducing their autonomy by turning the local bodies to the status of 'grant-in-aid' institutions. It is usually claimed by the local bodies (as is recorded in the Report of the Octroi Inquiry Committee for Gujarat) that the power to tax (and spend) provides these local bodies with opportunity for practising 'democracy at grassroot level'. The local bodies think that the abolition of octroi which is the only indirect tax levied by these bodies is likely to abridge their freedom and make them dependent on the State government for grants for various purposes in future also.

However, this aspect of the problem of the local bodies should not be played up too much. Even when octroi is abolished, there could be many other areas of raising taxes where the local authorities can improve their performance and contribute to making democracy function in a better way. Also, if so desired, it is possible to devise ways and means of involving local bodies in a limited way in the efforts to raise and distribute alternative tax(es) by the State government.

If one were looking for an ideal tax system as propounded in economic theory under the conditions of perfect competition (both in the product and the factor market), the answer would be the abolition of not only octroi but all indirect taxes (including sales tax) and their substitution by only direct taxes (such as income tax). This is not practicable in a developing country like India where the scope of raising resources through direct taxes is limited because of the narrowness of the tax base in view of the limited number of individuals which would come under the purview of such taxes. With the need for evergrowing public expenditures for economic development, greater reliance has to be put on indirect taxes in our country. Moreover, neither any State government nor any local government has the Constitutional authority to impose income tax. Under these conditions, if the resources have to be raised by the local bodies to the extent as to compensate the loss of revenue from the abolition of octroi, they would be required to increase the rates of existing taxes tremendously. This would be so because of the high share of octroi income in total tax revenue of many of these bodies. Thus, for example, in the case of Gujarat, municipal corporations will have to raise existing taxes by over 100 per cent and other local bodies by even greater extent to achieve that objective. This does not seem practicable.

There is, therefore, a need for substituting octroi by a fresh indirect tax. The new indirect tax must possess productivity and elasticity to a degree at least equal to that of octroi. Care should also be taken in devising the new indirect tax in such a way that the ultimate tax burden passed on to the consumer is not more than the burden of octroi shifted on to him. It should also be simple and convenient in operation from the point of view of both the tax-payer and tax collector. The rate structure should be so devised as to accord with the canon of equity to the extent it

is possible. This would require estimation of the incidence of such a tax by looking at the nature of goods and their likely consumers. And finally the cost of collection of the new tax should be comparatively as low as possible.

#### THE ALTERNATIVE : TURNOVER TAX ON DEALERS

Sales tax is the only tax which possesses most of the characteristics required of the new indirect tax as listed in the immediately preceding paragraph. Thus, in the case of Gujarat, revenue from sales tax (including State's share under Central Sales Tax) amounted to approximately Rs. 55 crores during the year 1969-70 compared to the octroi income of about Rs. 12 crores during the same period. The annual average rate of growth of receipts under the sales tax of Gujarat during the period 1961-62 to 1969-70 as calculated by the (Gujarat) Octroi Inquiry Committee has been 19 per cent compared to 12 per cent in the case of revenue from octroi for all local bodies of Gujarat. Furthermore, the cost of collection of the State sales tax is estimated by this Committee to be about 2 per cent of the revenue whereas the cost of collection of octroi has been estimated to be around 8 per cent of octroi income for all local bodies of the State together (and about 4 per cent in the case of municipal corporations in the State). Considering these facts, the tax which should be substituted for octroi must be a tax on the volume of sales to be collected through the sales tax department of the State. The sales tax collection agency will need to be expanded marginally to collect the additional tax on sales. The cost of collection of the new tax will, therefore, be comparatively very small. If the loss of octroi income is to be made up by a surcharge on the existing sales tax structure, it is likely to work out to a rather high rate. Moreover, not all items which are at present subject to octroi are subject to sales tax. I, therefore, recommend the imposition of a turnover tax on dealers dealing in the trade of all items which are at present subject to be octroi. The list of dealers registered under the State sales tax will have to be extended to include all other dealers whose traded goods are not subject to sales tax but are subject to octroi tax at present. The Government of India will be required to permit the State authorities to impose turnover tax on commodities subject to additional central excise tax in lieu of sales tax (like sugar, textile, tobacco) which are otherwise subject to octroi tax at present. The Central government should not reduce the State's share of the additional central excise duties since the revenue from turnover tax on such commodities would be specifically earmarked for compensating the local bodies for the abolition of octroi. The turnover tax on dealers should be so devised as to generate a net revenue (*i.e.*, net of cost of collection of the new tax) which would cover the entire loss of potential income of local bodies from the abolition of octroi.

The turnover tax on dealers should be based on differential rates for the

various commodities. The commodities may be classified according to their nature of being necessities, comforts or luxuries considering the consumption pattern of the poorer, middle class and richer sections of the community. A very careful and judicious analysis of consumer behaviour will have to be undertaken before classifying commodities into the three broad categories suggested here. A further subdivision of commodities may have to be made within the groups of comforts and luxuries for imposing finer degree of differentiation of rates or turnover tax. In general, the tax rate on a luxury item will have to be higher than on an item considered as a necessity. However, the rate structure should not be made too complex as far as possible. What is more important is that special care should be taken to choose the differential rates of turnover tax in such a way that on most commodities (especially in the groups of necessities and comforts), the price to the consumer does not rise above the price when these goods were subject to octroi. This will require a thorough research on the comparative incidence of taxation of the proposed rates of new turnover tax and existing rates of octroi. Experience based modifications of the rate structure of turnover taxes would have to be made to meet the twin objectives of raising sufficient resources to compensate the loss of potential income from octroi plus the cost of collection of the new tax and ensuring that the price of commodities classified as necessities and comforts to the ultimate consumer do not rise above what he was paying when these goods were subject to octroi.<sup>2</sup>

The turnover tax on dealers, as proposed above, should be collected in the same way in which the existing sales tax is collected mostly at a single point either at the first stage or the last stage.

In order to allow participation by the local bodies in the additional efforts required by the State Sales Tax departments, the local bodies should be asked to depute some of their qualified octroi staff (which would otherwise become redundant when octroi is abolished) to assist the State authorities in administering the new tax. However, this may not solve the entire problem of the displacement of the octroi staff of local bodies. Special measures will have to be adopted by both the local bodies and the State government to solve this problem to the mutual satisfaction of the employer and the employees.

The timing and manner of financial compensation to be given to the local bodies deserves special treatment. As octroi has been a source of daily income with minimum arrears due from the taxpayers, the State government should make provisional payments on monthly basis to the local bodies to be adjusted later for the amount due to them for the financial year under consideration. The income from the new tax (after

<sup>2</sup>This, of course, assumes that the sales tax structure remains constant when the comparative analysis of the incidence of the new tax and the octroi tax is made.



deducting the cost of collection) should be specifically earmarked for distribution to the local bodies. No deductions should be made from this income with respect to any charges due from the local bodies to the State government.

#### SUMMING UP

The alternative to octroi proposed in this article in the form of a turnover tax on dealers is by no means the ideal solution from the point of view of theoretical requirements of a good tax. Nor does the new tax meet all the shortcomings of the octroi tax mentioned in Part I of this article while presenting the case for the abolition of octroi. Nor has the complete solution to the problem of determination of the differential rate structure of the new tax and to all other problems connected with the switch to the new system been provided above. That would require a specially commissioned research study by a group of experts with the full assistance of the State government and the local authorities. However, the objectives and guidelines in the determination of the rate structure under the new tax and certain other aspects of the problems of switching to the new system have been formulated in this article. If properly carried out, the new tax would be a definite improvement over the octroi system in more than one way. The new tax would impose no financial loss—actual or potential—to the local bodies and in fact may provide them with even more lucrative source of revenue overtime compared to the existing octroi system. It would also allow participation by the local bodies in helping the State authorities in the administration of the new tax. It would impose no additional burden on the poor consumer who has otherwise been silently bearing the burden of octroi tax. The rationalization of the rate structure of the new tax could make this indirect tax as much progressive in its incidence on the consumers and the dealers. It would remove all the harassment to traders and to the transport industry on the time consuming stops at the octroi checkpoints which would be permanently dismantled. It would do away with the difficulties of traders in getting back refunds due to them under octroi system. It would be more economical from the point of view of administrative costs of tax collection. And, hopefully, it is likely to reduce the scope for corruption by the officials connected with the administration of the new tax compared to the old one.

However, the new tax is likely to create its own problems. The dealers will have to keep and submit separate accounts of their sales subject to the State sales tax and the turnover tax. Moreover, the tax authorities will have greater responsibility in verifying and cross-checking the declarations of dealers with respect to their turnover under various commodities. The authorities may have to take special care to see that wherever the new tax lowers the supply (cost) price of the dealers compared to the old price, the benefit is passed on by the dealers to the consumers in the form of

lower prices of those commodities. Despite these requirements, the dealers from whom the new tax is to be collected at one point are likely to welcome the substitution of octroi by the new turnover tax.

Finally, in closing, I may point out to the need for coordination of policies of the various States of the Indian Union on the abolition of octroi. Abolition of octroi by one State if matched with similar decision of the other States of the country would go some way towards reducing the inter-state distortions and artificial barriers to trade. The larger policy question for removing the distortions in the production, trade and consumption within all the States of our country would require coordination and rationalization of the inter-state sales tax structure as well. Together, such a coordination of policies among States on the taxation front would remove the possibilities of trade diversion and create a framework for taking maximum advantage of the benefits of free trade among the States of one country. Both production efficiency and consumption efficiency is then likely to be enhanced compared to the present position. □

# FINANCES OF CALCUTTA CORPORATION : PROBLEMS AND PROSPECTS

R. M. KAPOOR

In the post-independence India, 'the poor subsidizing the rich' can no longer be a part and parcel of any grand design or national strategy, wedded as we are to 'socialism', not only as a matter of our declared national faith, but as a matter of our national policies too—in all spheres of life. But, at times, old habits and traditions take longer to change—more so, either due to oversight or due to lack of indepth studies the problems of the yesteryears have not been fully identified yet.

This study on the Municipal Finances of the Calcutta Corporation covers just such ground. It derives its justification from the continuing newspaper headlines and editorials that the civic finances are in doldrums—and, its inspiration, from an enlightened business-house, whose management sincerely believes that business-like solutions of the problems of municipal finances are possible, and must be attempted.

The fact that an equally enlightened and dynamic State Government has already amended the erstwhile laws to take care of some of the shortcomings of the years gone by demonstrates that the diagnosis of the problems has been in the right direction, too.

## THE REVENUES OF CALCUTTA CORPORATION

Table 1 on page 96 presents a summary of the Revenue Receipts of the Municipal Revenue Fund from 1971-72 onwards.

The following excerpts from Table 1 show that, in Calcutta, 'Consolidated Rates', which include general rate, lighting tax, water tax and sewerage tax, have constituted between 69.5 per cent to 80.4 per cent of the Corporation's 'own earned income' from both tax and non-tax sources.

From the data, given in Table 1 it was concluded that to be worthwhile, any study of the Municipal Finances of Calcutta Corporation should, first,

TABLE 1 RECEIPTS OF THE CALCUTTA CORPORATION : 1971-72 TO 1976-77  
(Figures in Rs.)

<i>Year</i>	<i>Total Receipts</i>	<i>Receipts from Entry Taxes, CMDA, and other Govern- ment Contri- butions</i>	<i>Receipts from Consolidated Rates</i>
(1)	(2)	(3)	(4)
1971-72 (Actuals Prel. A/c)	14,30,53,201	5,58,69,524	7,01,14,630
1972-73 (Actuals Prel. A/c)	17,41,99,935	6,49,16,494	7,60,48,315
1973-74 (Actuals Prel. A/c)	16,36,10,720	5,11,92,640	8,36,63,931
1974-75 (Actuals Prel. A/c)	16,52,01,830	6,53,22,640	7,01,63,880
1975-76 (Actuals Prel. A/c)	19,59,68,480	6,47,45,369	9,41,55,386
1976-77 (Original estimate)	23,45,96,000	6,77,13,100	11,98,00,000

concern itself with the present system of 'property taxation' as this source represents the bulk of the civic revenues.

#### PROPERTY TAXES IN CALCUTTA—THE PROBLEM AREAS

Six specific areas were identified for in-depth investigations into the shortcomings of the present system, namely:

1. The present use of 'annual rateable valuations' as the basis for levy of property taxes.
2. The current slab system and its built-in deficiencies.
3. The current low scales of tax demand in Calcutta *vis-a-vis* other metropolitan cities.
4. The contributions to civic finances by the assesseees covered by the 'economic activity institutions'—such as commercial offices, markets and bazars, and industrial units.

5. The obsolescence of Calcutta's properties, and influence of multi-storeyed buildings on property taxes.
6. The inadequate returns from municipal properties.

The detailed analysis of each of these problems, and the recommendations made to tackle the same are dealt with, separately for each item, in the subsequent sections.

#### ANNUAL RATEABLE VALUATIONS—THE OTHER PROBLEM FOR PROPERTY TAXES

As in other Indian cities, and abroad too, property taxes in Calcutta also are levied on basis of the 'annual rateable valuations' of properties which are determined as per the stipulations of Section 168 of Calcutta Municipal Act, 1951.

The 'total rateable valuation' of the 1,35,713 assessed properties in Calcutta Corporation area for the year 1975-76 is Rs. 42.40 crores only.

The Table 2 gives a break-up of the assessed properties corresponding to the various valuation ranges.

TABLE 2 DISTRIBUTION OF ASSESSED PROPERTIES ACCORDING TO ANNUAL RATEABLE VALUE

<i>Annual Rateable Valuation</i>	<i>Slab per cent</i>	<i>No. of Properties</i>	<i>Per cent of Properties</i>
Rs. 1— 1,000	15	70,120	51.67
Rs. 1,001— 3,000	18	42,825	31.55
Rs. 3,001—12,000	22	15,940	11.75
Rs. 12,001—15,000	27	4,435	3.27
Rs. 15,001 and above	33	2,393	1.76
		1,35,713	100.00

The fact that 83 per cent of the properties have an annual valuation of Rs. 3,000 and less helps to identify the problem of extremely low valuations of Calcutta's properties.

Its magnitude can be better appreciated, however, if it is remembered that according to national standards, a Municipal Corporation catering to a population of more than 10 lakhs should spend Rs. 110 per capita per annum for providing the civic services; whereas in Calcutta, the rateable value/head is Rs. 130.00 only—and 51.67 per cent of the assesseees pay

only 15 per cent of this rateable value towards their civic dues, which, in turn, represent 70-75 per cent of all the civic incomes.

These extremely low rateable valuations owe their origin to the very system itself, and the thesis is advanced that : *In the ultimate analysis, a major break-through in the current property tax system cannot be achieved, until and unless the very concept of determining property taxes on basis of rateable valuations, itself is scrapped altogether.*

This is because 'annual rateable valuations' whether determined by the 'rental system' or the 'capital value system' are influenced by numerous built-in deficiencies, which cannot be removed easily.

Thus in the rental system, leaving aside the prevalent corrupt practices and the built-in scope for the same, the rateable values, at any given-time, would always be depressed—due to old tenancies and obsolete rents, on the one hand, and due to the artificial, though necessary, ceilings in consequence of the Rent Control Laws, on the other.

The 'capital value system' provides no solution either, subject as it is to numerous 'external' and 'uncontrollable' variables whose influence on lakhs of assessable premises must be 'quantitatively measured' and 'updated' over relatively short spans of time which is just not feasible, practically speaking.

Some of these factors are : the continuously changing demand and supply positions, in different areas at different scales; the after-effects of developmental investments in some areas and lack of some in others; and the changing use-characteristics of properties in different zones either necessitated by the modern Town Planning Laws, or by popular demand.

In addition to these factors there are some contradictions that need reconciliation on the basis of individual cases, though as per standardized procedures such as of valuations of 'old depreciated properties in high priced areas'. In such cases, a 'fair' determination of the capital valuation is governed, at best, by the skills of the advocates on the two sides. And, no surveys are needed to arrive at the conclusion that in most such situations, municipal administrations normally end up on losing sides.

A general observation that applies to both the 'rental' and 'capital value' systems is the 'subjective nature' of the assessment of lakhs of cases where the civic administration's interests have to be judged and safeguarded by lowly-paid inspectors. This task is not only highly involved, and time consuming but can be open to corrupt practices even in the well-off societies, anywhere in the world.

Besides the above factors, the present 'rateable valuation system' makes no provisions for the following :

#### *No Correlation with Demands*

Keeping in view the ever-rising costs of civic services, and the need for

balancing the civic budgets, it is desirable that the major source of civic revenues should be amenable to changes reflecting the 'elasticity of tax demands' too.

However, the rateable value system offers no levers for adjusting the tax demands corresponding to the costs of civic services.

#### *No Correlation with Population Density*

As is well known, population density has a direct bearing on the costs of civic services. However, the current property tax system based on rateable valuations as it is, leads to an 'inverse' effect on the per capita contributions for civic finance which decrease with the increasing population densities in given areas, and, thus, represent another built-in shortcoming of this system.

So much about the inadequacies of the present system!

The point is made here, however, that the Indian Constitution empowers the State Legislatures to levy taxes on 'Land and Buildings' without any terms of limitation as to the manner in which taxes are to be levied. Moreover, the intention in the Constitution in the levy of these taxes is not to tax the incomes from properties, but is to create a charge on the owners and occupiers to defray the costs of civic services.

Rateable Value as a means to this end was used in England, and, unfortunately, has continued as the basis of legislation in India since the 1915 Act.

The basic question that this investigation, therefore, raised was : *Can we not conceive a system, other than the rateable value one, which is more directly related to the purpose for which civic revenues are raised?*

It was further stipulated that, to be scientific, such a system would have to respond to the following needs:

- (a) It must have a correlation with the costs for providing civic services.
- (b) To be fair, it should make higher demands from such assesseees who place larger burdens on the civic services (such as the non-residential users of properties).
- (c) It should be amenable for corrections governed by the wardwise changes in population densities from one census period to another.
- (d) It should simulate the real-life situation of differences in rent structures depending both on the geographic locations in the city, and the situation of properties at vantage points such as along major roads, parks, etc.

- (e) It should have scope for levy of additional cesses with a view to achieving some 'developmental objectives' such as higher rates in most congested areas to discourage further congestion; or, higher rates for industrial premises situated in the 'non-conforming' zones.
- (f) It should reduce the 'subjective' element in the assessment of the lakhs of properties so that the scope for corruption is reduced, if not eliminated altogether.

Our organization is now at the concluding stages of a study which would advocate the following:

- (a) Delinking of property taxes both from the 'rental' and 'capital value' systems of assessment.
- (b) Introduction of 'land tax' and 'building tax' on the basis of area measurements.
- (c) Introduction of a 'slab system' on basis of permissible 'floor area ratios'.
- (d) Variations in the above mentioned taxes on zonal basis.
- (e) Additional cesses for non-residential uses of properties.
- (f) Zonewise surcharges, wherever necessary, to achieve the developmental objectives.
- (g) Changes in tax rates consequent to changes in population density.
- (h) Extreme degree of simplification of assessment procedures—eliminating the regular periodic assessments altogether; basing the 1st assessment on data furnished to corporation with the building plans; and, revision of same only when building modifications are carried out.

The new system, representing as it would, a complete departure from the current one, should be introduced only and only when adequate preparations have been made, particularly, in the matter of collection and compilation of data on the 'plot sizes' and 'covered areas' of the 'old' assessable premises. Thus, sufficient 'lead time' would be absolutely necessary to introduce the new system.

Recognizing that the need for boosting the civic revenues in Calcutta is most critical, interim reforms governing the present system can be considered, nevertheless, specially when these reforms can be introduced without much advance preparations.

#### THE CASE FOR RATIONALIZATION OF THE PRESENT SLAB SYSTEM

Section 165 of the Calcutta Municipal Act, 1951 prescribes the 'graduated consolidated rates' that may be imposed upon all lands and buildings



in Calcutta, on the annual valuations, as determined vide stipulations in Section 168 on 'assessment of lands and buildings'.

The current rate structure is given in Table 3.

TABLE 3 THE RATE STRUCTURE ACCORDING TO DIFFERENT ANNUAL VALUATION RANGES

<i>Annual Valuation Range</i>	<i>Slab (per cent)*</i>
Rs. 1,000 and below	15
Rs. 1,001— 3,000	18
Rs. 3,001—12,000	22
Rs. 12,001—15,000	27
Rs. 15,001 and above	33

\*There is an additional surcharge of  $\frac{1}{2}$  per cent in case of properties in city proper and  $\frac{1}{4}$  per cent in case of Tollygunge properties in the style of Howrah Bridge Tax.

One problem arising from the present rate structure is highlighted thus:

	<i>Calcutta</i>	<i>Bombay</i>
Rateable Value per head	Rs. 133.20	Rs. 169.00
Property Tax per head	Rs. 26.60	Rs. 61.00

The relatively much lower tax-demand has been attributed to the current slab system and the advocates of change have voiced their opinions differently for one or the other of the following options :

- (a) That the slab system should be scrapped altogether.
- (b) That the slab system, as in practice now, should be kept intact and only the rates be revised upwards.

If one is to go by a superficial analysis alone, the present study has also brought out the fact that the slab system has been detrimental to the financial interests of Calcutta Corporation inasmuch as nearly 50 per cent of the properties in Calcutta's most expensive areas and 67 per cent of industrial properties enjoy rates between 15 per cent to 22 per cent slabs, which is lower than the 24 per cent general rate alone in Bombay where the service levies amount to another 20 per cent or so of the civic dues.

Scrapping the slab system altogether would pose a peculiar problem in Calcutta as whatever the new uniform rates proposed, the assesseees in the highest slabs would be more advantageously placed due to comparatively lesser increases, if the uniform rate is fixed above 33 per cent, and decreases in their civic dues if it is less than 33 per cent.

As regards retention of the present slab system and only amending the rate structure, various proposals have been under the consideration of the authorities including one by a World Bank expert, deputed to opine on these proposals. *However, after a critical analysis of the characteristics of the present slab system, this study has 'exposed' some of its built-in defects which tantamount to giving relief to assesseees in higher valuation ranges than vice versa—a happening which is in fundamental conflict with the taxation principles.*

Thus, the present system's characteristics have been analyzed in terms of the successive increments in 'Annual Tax Demand' for every Rs. 1,000 increase in Annual Rateable Valuation, at various levels of valuation as shown in the Table 4.

TABLE 4 TAX DEMAND ACCORDING TO THE INCREASES IN VALUATION

Increase in Valuation		Increase in Tax Demand
From	To	
Rs. 500	Rs. 1,000	Rs. 75.00
Rs. 1,001	Rs. 2,000	Rs. 210.00
Rs. 2,001	Rs. 3,000	Rs. 180.00
Rs. 3,001	Rs. 4,000	Rs. 340.00
Rs. 4,001	Rs. 5,000	Rs. 220.00
Rs. 5,001	Rs. 6,000	Rs. 220.00
Rs. 6,001	Rs. 7,000	Rs. 220.00
Rs. 7,001	Rs. 8,000	Rs. 220.00
Rs. 8,001	Rs. 9,000	Rs. 220.00
Rs. 9,001	Rs. 10,000	Rs. 220.00
Rs. 10,001	Rs. 11,000	Rs. 220.00
Rs. 11,001	Rs. 12,000	Rs. 220.00
Rs. 12,001	Rs. 13,000	Rs. 870.00
Rs. 13,001	Rs. 14,000	Rs. 270.00
Rs. 14,001	Rs. 15,000	Rs. 270.00
Rs. 15,001	Rs. 16,000	Rs. 1,230.00

It would be seen from the above table that the increase in tax demand for Rs. 1,000 increase in valuation at different levels of valuation is both erratic and irregular.

This aspect of irregular and sudden jumps is also illustrated in Table 5 where keeping the Tax Demand corresponding to the present system, the slabs as per the 'Income Tax' system have been computed.

TABLE 5 TAX DEMAND ACCORDING TO THE EXISTING SYSTEM AND THE INCOME TAX SYSTEM

<i>Annual Valuation</i>	<i>Present Slab per cent</i>	<i>Tax Demand</i>	<i>Tax Demand in Rs. as in Col. 3 Expressed as per Income Tax Practice</i>
(1)	(2)	(3)	(4)
Rs. 1,000	15	150	150.00
Rs. 2,000	18	360	150.00+ 21.00% of Rs. 1,000= 360
Rs. 3,000	„	540	150.00+ 19.50% of Rs. 2,000= 540
Rs. 4,000	„	880	540.00+ 34.00% of Rs. 1,000= 880
Rs. 5,000	„	1,100	540.00+ 28.00% of Rs. 2,000=1,100
Rs. 6,000	„	1,320	540.00+ 26.00% of Rs. 3,000=1,320
Rs. 7,000	„	1,540	540.00+ 25.00% of Rs. 4,000=1,540
Rs. 8,000	„	1,760	540.00+ 24.00% of Rs. 5,000=1,760
Rs. 9,000	„	1,980	540.00+ 24.00% of Rs. 6,000=1,980
Rs. 10,000	„	2,200	540.00+ 23.71% of Rs. 7,000=2,200
Rs. 11,000	„	2,420	540.00+ 23.50% of Rs. 8,000=2,420
Rs. 12,000	„	2,640	540.00+ 23.33% of Rs. 9,000=2,640
Rs. 13,000	27	3,510	2640.00+ 87.00% of Rs. 1,000=3,510
Rs. 14,000	„	3,780	2640.00+ 57.00% of Rs. 2,000=3,780
Rs. 15,000	„	4,050	2640.00+ 47.00% of Rs. 3,000=4,050
Rs. 16,000	33	5,280	4050.00+ 123.00% of Rs. 1,000=5,280

*The above conclusively establishes the point that the current practice of having 'arbitrarily fixed slabs' has many built-in deficiencies and should be discontinued.*

#### POSSIBLE IMPROVEMENTS THROUGH THE INCOME TAX SLAB SYSTEM

To ensure that there is a 'progressive increase' in the tax demand as the valuation goes up, one well known option that could be adopted is the 'Income Tax Slab System'.

That there is a substantial increase in Tax Demand, due to 'rationalization of slabs' as per the Income Tax System is demonstrated in the following table where the Tax Demands as per the Income Tax Slab System have been computed from the following slabs which closely correspond to the slabs in the present system.

The 'Income Tax System,' based slabs used are :

Rs. 1,000	:	Rs. 150	
Rs. 1,001— 3,000	:	Rs. 150+21% of increase over Rs. 1,000	
Rs. 3,001—12,000	:	Rs. 570+31% of increase over Rs. 3,000	
Rs. 12,001—15,000	:	Rs. 3,360+41% of increase over Rs. 12,000	
Rs. 15,001 and above :		Rs. 4,590+69% of increase over Rs. 15,000	

Table 6 provides the comparisons of the tax demands between the present system and the Income Tax System.

TABLE 6 A COMPARISON OF TAX DEMAND ACCORDING TO THE EXISTING SYSTEM AND THE INCOME TAX SLAB SYSTEM

<i>Valuation</i>	<i>Present Slab per cent</i>	<i>Present Tax Demand</i>	<i>New Tax Demand as per I.T. Slab</i>	<i>New Demand as per cent of Valuation</i>
Rs.		Rs.	Rs.	Rs.
1,000	15.00	150.00	150.00	15.00
2,000	18.00	360.00	360.00	18.00
3,000	18.00	540.00	670.00	19.00
4,000	22.00	880.00	880.00	22.00
5,000	22.00	1,100.00	1,190.00	23.80
6,000	22.00	1,320.00	1,500.00	25.00
7,000	22.00	1,540.00	1,810.00	25.85
8,000	22.00	1,760.00	2,120.00	26.50
9,000	22.00	1,980.00	2,430.00	27.00
10,000	22.00	2,200.00	2,740.00	27.40
11,000	22.00	2,420.00	3,050.00	27.72
12,000	22.00	2,640.00	3,360.00	28.00
13,000	27.00	3,510.00	3,770.00	29.00
14,000	27.00	3,780.00	4,180.00	29.85
15,000	27.00	4,050.00	4,590.00	30.60
16,000	33.00	5,280.00	5,280.00	33.00

It would be noticed from the above table that by adopting the 'Progressive Increment' System as per Income Tax practice, the Tax Demand increases corresponding to most of the valuations.

For an analysis of the overall merits of the Income Tax Slab System, however, it is important to take note of its four basic characteristics. These are :

- The 'increment in tax demand' is uniform, for a given slab range.
- There is a 'progressive increase' in the above mentioned 'increments of tax demand', from the lowest ranges to highest ranges.
- The 'valuation ranges' over which the increments of 'tax demand' remain constant are fixed arbitrarily.

- (d) The 'magnitudes of the progressive increases' between various 'valuation ranges' are also decided arbitrarily.

It is argued that whatever the degree of caution exercised, the two arbitrarily fixed elements in the Income Tax Slab System introduce 'sudden jumps' in the tax-demands as the slabs change.

These sudden jumps have a psychological reaction on the rate-payers and the tendency to 'manage' things so as to be covered by the lower slab ranges is not entirely unnatural. *The impact of sudden jumps on Tax Demand can, however, be reduced by increasing the number of slabs, the most optimum results being attained when the 'number of slabs becomes infinite' i.e., when slabs change for each and every Valuation.*

#### *The Straight-Line System for Infinite Number of Slabs*

The number of slabs becomes infinite in a system where, given the lowest and highest tax-demand rates, the rest are computed from an algebraic equation for a Straight Line as follows :

$$Y = A + B X$$

where Y is Slab for Tax-Demand in terms of % of Valuation.

X is Annual Rateable Valuation in Rs.

A and B are Constants which depend upon the X and Y values fixed at the lowest and highest extremes.

The point is made here that in the system only the two terminal rates need to be fixed arbitrarily, the rest being determined from a precise mathematical correlation.

The 'arbitrary choice of the lowest and highest rates' can be justified on basis of policy considerations which spell out how low and how high the tax burdens should be at the two extremes.

A comparison of the 'Straight Line System' versus the 'Present System' as well as the 'Income Tax Slab System' is made in Table 7 for 3 alternates of the two terminal values and their corresponding Income Tax System based slabs.

The three alternates are:

Annual Rateable Valuation	Tax Demand Rate—per cent of Annual Rateable Valuation		
	Alt. 1	Alt. 2	Alt. 3
Rs. 500 and below	20	15	15
Rs. 15,000 and below	45	45	40

The algebraic equations for the 3 alternates are :

Alternate 1 :  $Y = 19.1380 + X/580$

Alternate 2 :  $Y = 13.9655 + 3X/1450$

Alternate 3 :  $Y = 14.1380 + X/580$

Where Y is the Slab for Tax Demand in terms of per cent of valuation X is the Annual Rateable Valuation in Rs.

TABLE 7 THE INCOME TAX SYSTEM BASED SLABS FOR THE THREE ALTERNATES

<i>Per cent</i>				
<i>Alternate 1</i>				
Rs. 500 and below :	20			
Rs. 501 — 2,000 :	Rs. 100+25	of increase over	Rs. 500	
Rs. 2,001 — 4,000 :	Rs. 575+30	„	Rs. 2,000	
Rs. 4,001 — 6,000 :	Rs. 1,075+35	„	Rs. 4,000	
Rs. 6,001 — 10,000 :	Rs. 1,775+45	„	Rs. 6,000	
Rs. 10,001 and above :	Rs. 3,575+55	„	Rs. 10,000	
<i>Alternate 2</i>				
Rs. 500 and below :	15			
Rs. 501 — 2,000 :	Rs. 75+20	of increase over	Rs. 500	
Rs. 2,001 — 4,000 :	Rs. 375+26	„	Rs. 2,000	
Rs. 4,001 — 6,001 :	Rs. 895+35	„	Rs. 4,000	
Rs. 6,001 — 10,000 :	Rs. 1,595+45	„	Rs. 6,000	
Rs. 10,001 and above :	Rs. 3,395+58	„	Rs. 10,000	
<i>Alternate 3</i>				
Rs. 500 and below :	15			
Rs. 501 — 2,000 :	Rs. 75+20	of increase over	Rs. 500	
Rs. 2,001 — 4,000 :	Rs. 375+26	„	Rs. 2,000	
Rs. 4,001 — 6,000 :	Rs. 875+30	„	Rs. 4,000	
Rs. 6,001 — 10,000 :	Rs. 1,475+40	„	Rs. 6,000	
Rs. 10,001 and above :	Rs. 3,075+50	„	Rs. 10,000	

#### *Estimates for Additional Revenues*

These estimates are based on the available data on the break-up of the assessed properties in the City proper and Tollygunge as per the present valuation ranges.

It may be noted that only the minimum and maximum possible increases can be estimated from the available data. The actual increase would be somewhere between these 2 limits.

Following is a summary :

	<i>Annual Increase in Tax Revenues—Rs. Lakhs</i>			
	<i>Income Tax System</i>		<i>St.Line System</i>	
	<i>Lowest</i>	<i>Highest</i>	<i>Lowest</i>	<i>Highest</i>
<i>Altern. 1</i>	231.95	751.31	232.43	755.67
<i>Altern. 2</i>	164.56	635.66	168.77	648.48
<i>Altern. 3</i>	124.42	451.03	124.90	455.39

The average increase, and the 25 per cent additional increase on account of the 'non-residential premises cess'\* would result in the following additional tax yields :

	Income Tax System			St. Line System†		
	Average Increase	Non-Res. Cess	Total	Average Increase	Non-Res. Cess	Total
Alternative 1	491.63	122.91	614.54	494.05	123.51	617.56
Alternative 2	400.11	100.03	500.14	408.62	102.16	510.78
Alternative 3	287.72	71.93	359.65	290.15	72.54	362.69

Keeping in view the fact that the preponderance of properties nearer the highest value in each valuation range is likely to be more, the actual yields may be 10-15 per cent more than those indicated above.

*It would be noticed from the above that the tax yield, as per the St. Line System, is marginally higher than that from the Income Tax Slab System for the various Alternates.*

*This comparatively higher yield should be viewed in the light of the fact that about 85 per cent of the rate payers who fall in the valuation range between Rs. 1—10,000 would pay taxes at a rate, which is about 0.06 per cent to 1.64 per cent lower than the rates according to the Income Tax system.*

#### *Per Assessee Increase in Tax Burden*

For the 'Straight Line System', the average per assessee increase in tax burden would be between the lowest and the highest limits as indicated below :

Valuation Range		Alt. 1	Alt. 2	Alt. 3
Rs. 1— 1,000	Lowest	25.00	--	—
	Highest	58.60	10.30	8.60
Rs. 1,001— 3,000	Lowest	58.60	10.30	8.60
	Highest	189.30	65.10	39.30
Rs. 3,001—12,000	Lowest	189.30	65.10	39.30
	Highest	2139.60	2014.80	1539.60
Rs. 12,001—15,000	Lowest	2139.60	2014.80	1539.60
	Highest	2700.00	2700.00	1950.00

\*See Section VI.

†All figures in Rs. lakhs.

Above Rs. 15,000, the increase would be at the rate of 12 per cent for alternates 1 and 2 and at the rate of 7 per cent for alternate 3.

The additional tax burden, whichever the alternate chosen, can be easily justified as for about 80 per cent of the assesses, it would be less than Rs. 190 or so per annum.

The above proposal is now under the active consideration of the West Bengal Government.

#### A COMPARATIVE STUDY OF THE REVENUE SOURCES AND RECEIPTS OF CALCUTTA, BOMBAY AND DELHI MUNICIPAL CORPORATIONS

The point that 'rationalization of slab system' and the marginal increases, say from 15 per cent to 20 per cent at the lowest level and from 33 per cent to 45 per cent or so at the highest level, would help to mop up only a part of the current deficits in the Calcutta Corporation's budgets leads one to conclude that other avenues for further boosting of the civic revenues should be examined yet.

In this regard, a comparative study of the revenue sources and receipts of Calcutta, Bombay, and Delhi Municipal Corporations was considered to be useful.

It clearly brings out the following :

1. That, as compared to Bombay, where the General Tax and Services Levies add up to about 46.50 per cent or so, for properties in Calcutta the highest demand is @ 33 per cent (which too as stated earlier applies to 1.76 per cent of the assessable premises only). In Bombay's case, the levy of the Building Repairs Cess at rates varying from 18 per cent to 34 per cent for buildings constructed prior to 1969 is additional, and this source alone earns Rs. 2.93 crores, which though used for the Board's purposes, comes from the same ratepayers.
2. Calcutta Corporation hardly earns anything from the Entertainment and Motor Vehicles Taxes, whereas Bombay earns about Rs. 3.98 crores from the Wheel Tax, and Delhi's shares of the Entertainment and Motor Vehicles Taxes are of the order of Rs. 2.93 crores, and Rs. 1.95 crores, respectively.
3. Delhi has tapped some other sources too such as 'Duty on Transfer of Property' which yielded Rs. 0.98 crores in 1973-74; Tax on Consumption, Sale, or Supply of Electricity which amounted to Rs. 1.99 crores.

Besides the above, both Bombay and Delhi Corporations have substantial incomes from Entry Taxes Rs. 21.92 crores and Rs. 9.67 crores in 1973-74, respectively), whereas, due to sharing the Entry Tax revenues with CMDA and other Municipalities, Calcutta Corporation's share used to be Rs. 2.5 crores and has improved only marginally ever since.



Calcutta Corporation has, in its budget recommendations, invariably pleaded for larger shares of such taxes as are collected by the State Government.

Inasmuch as these represent transfers and do not involve raising additional resources from external sources, for the purpose of this study, investigations and comments are directed to only such areas through which additional resource mobilization would be possible.

#### THE NEED FOR LEVY OF A NON-RESIDENTIAL PREMISES CESS

In order to identify one such area, a survey of the 'Annual Rateable Valuations' of a select sample of 4,100 properties out of the 1.3 lakh plus properties in Calcutta was taken up.

The properties selected comprised the 'economic activity centres' of Calcutta and this selection was made as it would cover the more expensive of the properties in Calcutta.

Thus, of the total of 4,100 properties, 2,679 properties were selected in Dalhousie Square, Mission Row, Esplanade, Chowringhee, Park Street and vicinity and Burrabazar areas—all of which are known for their commercial importance.

The 'valuationwise distribution' of the surveyed properties is shown in Table 8.

TABLE 8 DISTRIBUTION OF PROPERTIES SURVEYED ACCORDING TO ANNUAL RATEABLE VALUE

<i>Annual Rateable Valuation</i>	<i>Dalhousie Area</i>	<i>Mission Row Area</i>	<i>Chowringhee Park Street Area</i>	<i>Burrabazar Area</i>
No. of properties surveyed	799	554	1,022	304
Total Annual Rateable Valuation Rs. crores	4.75	1.06	1.28	0.35
Per cent of properties in various Valuation Ranges :				
Below Rs. 1,000	12.3	13.7	9.4	19.1
Rs. 1,001— 5,000	29.9	30.5	42.5	35.6
Rs. 5,001— 15,000	22.1	26.9	26.6	27.0
Rs. 15,001— 50,000	20.4	20.4	14.3	14.5
Rs. 1/2 lakh 1 lakh	6.4	4.9	4.1	2.2
Rs. 1 lakh 3 lakhs	6.9	3.2	2.2	1.6
Above Rs. 3 lakhs	2.0	0.4	0.9	—

Of the 2,679 properties selected above, 118 premises belonged to the

Markets/Bazar categories—*i.e.*, each of these premises having a minimum of 30 shops.

The highlights of the survey data pertaining to these markets are as follows :

Total Annual Rateable	Rs. 72,28,745
Valuation of the 118 premises	
Quarterly Demand per share	Rs. 2,93,824
Average Quarterly demand/share	Rs. 2,490

With the minimum of 30 shops per premises, the monthly contribution/shop average to Rs. 27 or so; but since the number of shops is much beyond 30—the average would be more likely Rs. 15 p.m.

Similar analysis of the 'annual rateable valuations' of 32 premises which serve as the major wholesale centres is still more revealing.

In this survey, the following information was revealed :

No. of Wholesale markets surveyed	32
No. of Licensees as Traders	5,235
Total Annual Rateable Valuation of 32 premises	Rs. 31,22,925
Total Quarterly demand/share	Rs. 1,30,577
Average Quarterly demand/share	Rs. 4,080
Average Quarterly demand/tenant	Rs. 25

Thus, in the tradewise most important wholesale areas an average wholesaler paid only Rs. 8 per month to the Corporation—in Armenian Street which is the wholesale centre for Chemicals, the civic dues amounted to only Rs. 0.56 per month.

#### SURVEY OF INDUSTRIAL PREMISES

Another 1,421 properties were surveyed in 6 different zones of the city which are important due to the location of large, medium, and small scale industries.

In these Industrial zones, the situation was as follows :

Zone	No. of Factories	Valuationwise Break-up			Average Qrly. Demand Per share Rs.
		Above 50,000 (%)	Rs. 10,000 to Rs. 50,000 (%)	Below Rs. 10,000 (%)	
a	260	21.26	37.09	41.65	2,919
b	283	11.89	23.80	64.70	909
c	428	4.90	16.66	78.44	435
d	262	4.04	15.15	80.01	320
e	82	—	13.21	86.79	234
f	72	—	10.35	89.65	117
g	34	—	4.00	96.00	101

Where :

Zone a —covers Hide Road, Taratalla, Kidderpur, Watgunge area factories

Zone b —covers Cossipore, B.T. Road, Dum Dum areas.

Zone c —covers areas East of Acharya P.C. Roy Road, bounded by Belgachia Road and Beliaghata Canal

Zone d —covers Tiljala, Topsia, Tangra, Kustia areas

Zone e —covers areas West of Acharya P.C. Roy Road, bounded by Bhupendra Bose Avenue and Vivekananda Road

Zone f —covers areas West of Acharya P.C. Roy Road, bounded by Vivekananda Road and Surya Sen Street.

Zone g —covers factories along Prince Anwar Shah Road and vicinity

The above surveys conclusively established the point that even the economically prosperous commercial and Industrial Centres of Calcutta did not contribute enough towards the civic revenues.

The thesis was advanced, on the other hand, that the erstwhile 'uniform treatment' of all properties for property tax purposes has been fundamentally wrong—if the basic objective for raising civic revenues is kept in view—*i.e.*, to meet the costs of civic services. This is so because the users of non-residential premises cause greater strains on the civic services than those in the residential category, and accordingly they must be made to pay more.

It was, therefore, proposed that the Calcutta Municipal Act be suitably amended to introduce the distinction of 'residential' and 'non-residential' premises for property tax purposes, and the Corporation should be empowered to levy extra *cesse* on 'non-residential' premises.

This recommendation has since been accepted by Government and Section 165 of the Calcutta Municipal Act was amended by the legislature through 'The Calcutta Municipal (Third Amendment Act, 1976), as follows :

Provided further that a surcharge at such rate not exceeding fifty per cent of the consolidated rate as may be determined by the State Government by notification published in the Official Gazette, may be imposed upon any land or building which is used wholly or in part for commercial or non-residential purpose.

This amendment is expected to result in an additional revenue of Rs. 2.5 crores per annum.

#### OBSELESCENCE OF CALCUTTA'S PROPERTIES AND INFLUENCE OF NEW MULTISTOREYED CONSTRUCTION

As stated earlier, another factor contributing to the low valuations of Calcutta's properties has been the 'obsolete rents' of most of the properties.

This situation can best be tackled by expediting the Urban Renewal programmes in Calcutta and much stricter enforcement of regulations concerning demolition of outdated properties.

Of late, some multistoreyed construction work has started which, however, has come under critical comment more due to the new problems that are arising—many of which would be tackled through better Buildings Laws.

However, civic finances being as dismally poor as these are, any single step which makes sizable contributions to the civic revenues would have to be given due consideration, even if physical constraints warrant otherwise.

To bring home the total significance of the 'influence' of new multistoreyed buildings on civic revenues, a survey of the 'old' and 'new' valuations of 29 premises was conducted and its findings are most revealing as is shown below :

(a) Old Annual Rateable Valuation	Rs. 14,92,934
(b) New Annual Rateable Valuation after multistoreyed construction	Rs. 2,45,57,519
(c) Old Valuation : New	1 : 16.5

The present challenge for the civic administration, therefore, is to plan such areas for multistoreyed construction where the physical constraints can be taken care of so that multistoreyed construction can be encouraged to the maximum degree possible.

#### THE FINANCES OF THE MUNICIPAL MARKETS

Calcutta Corporation runs 10 markets in various wards of the city. Corporation being the landlord, property taxes on these premises are not collected separately and the occupiers' share of tax is collected as a part of the rent itself.

Following is a summary of the Finances of these markets for the year 1973-74.

Receipts from rent	Rs. 37,70,213
Expenditure on establishment	Rs. 27,27,200
No. of traders	4,891

If receipts alone are considered, the average rent and property tax contribution per trader per annum is Rs. 837, i.e., Rs. 69.80 per month,

the marketwise average being as follows :

<i>Name of Market</i>	<i>Average Rent &amp; Property Tax Paid/tenant per annum</i>	<i>Average Expendi- ture per tenant/ annum</i>
1. S.S. Hogg Market	Rs. 851	Rs. 591
2. Lansdowne Market	Rs. 605	Rs. 602
3. Sir Charles Allen Market	Rs. 910	Rs. 729
4. College Street Market	Rs. 906	Rs. 622
5. Entally Market	Rs. 653	Rs. 703
6. Lake Market	Rs. 815	Rs. 675
7. Park Circus Market		Rs. 355
8. Gariahat Market	Rs. 1,250	Rs. 794
9. New Alipore Market	Rs. 1,042	Rs. 1,303
10. Manicktala Market	Rs. 1,266	Rs. 1,409

However, if the net receipts are considered, then the average *rent and property tax contribution per trader* is only Rs.196 per annum or Rs. 16.33 per month.

From the above data, one clearcut conclusion that can be drawn is that had there been another landlord for these properties, the Corporation could at least expect the owners, and occupier's share of property taxes, which would have averaged as much as the present collections due to rents plus taxes to be sure.

The question that needs serious consideration is :

Why not transfer these Markets to a Statutory Market Authority which would be liable to pay the Corporation its taxes and which would ensure its own economic viability through a more sound rent structure.

Such a measure commends itself, particularly, at a time when reconstruction proposals for these Municipal Markets are under active consideration.

# **PROPOSAL FOR RATIONALIZATION OF SLAB SYSTEM FOR IMPOSITION OF CONSOLIDATED RATES UNDER THE CALCUTTA MUNICIPAL ACT, 1951**

## **Alternate 1**

### **ST. LINE SYSTEM—TERMINAL VALUES**

Rs. 500 and below : 20%

Rs. 15,000 and above : 45%

### **INCOME TAX SYSTEM BASED SLABS**

Rs. 500 and below : 20%

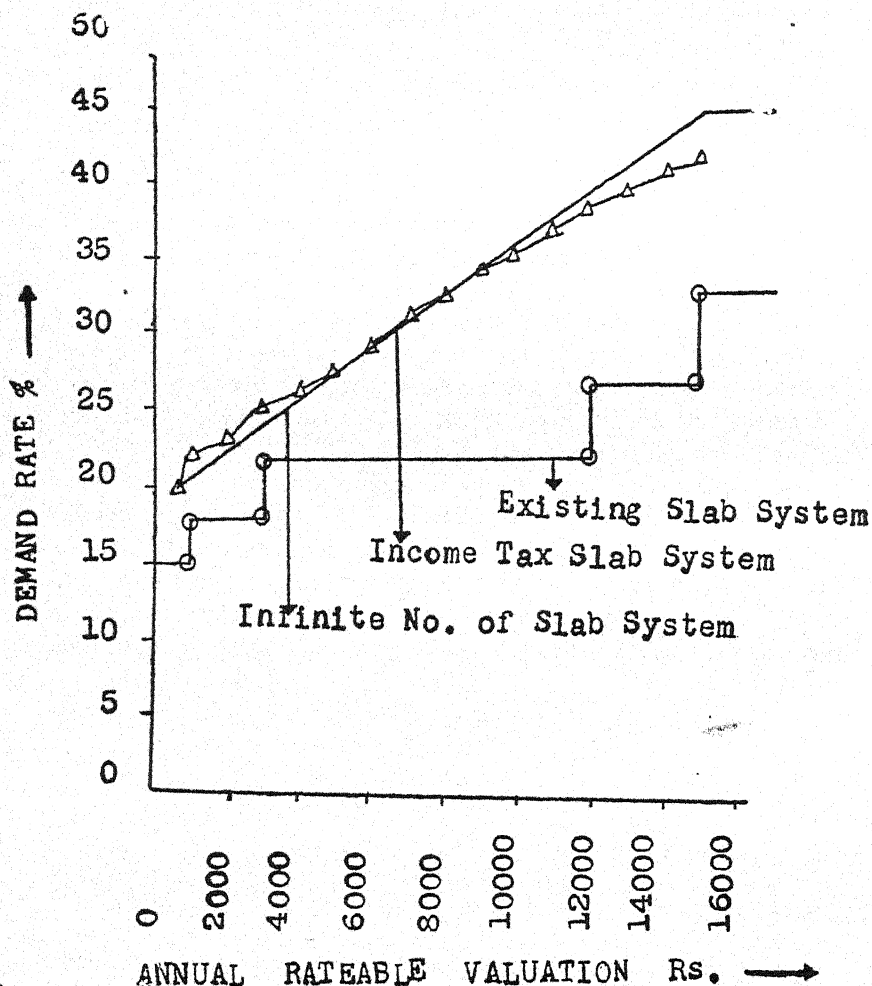
Rs. 501 — 2,000 : Rs. 100 + 25%

Rs. 2,001 — 4,000 : Rs. 475 + 30%

Rs. 4,001 — 6,000 : Rs. 1,075 + 35%

Rs. 6,001 — 10,000 : Rs. 1,775 + 45%

Rs. 10,001 and above : Rs. 3,575 + 55%



**PROPOSAL FOR RATIONALIZATION OF SLAB SYSTEM FOR IMPOSITION OF CONSOLIDATED RATES UNDER THE CALCUTTA MUNICIPAL ACT, 1951**

**Alternate 2**

**ST. LINE SYSTEM — TERMINAL VALUES**

Rs. 500 and below : 15%

Rs. 15,000 and above : 45%

**INCOME TAX SYSTEM BASED SLABS**

Rs. 500 and below : 15%

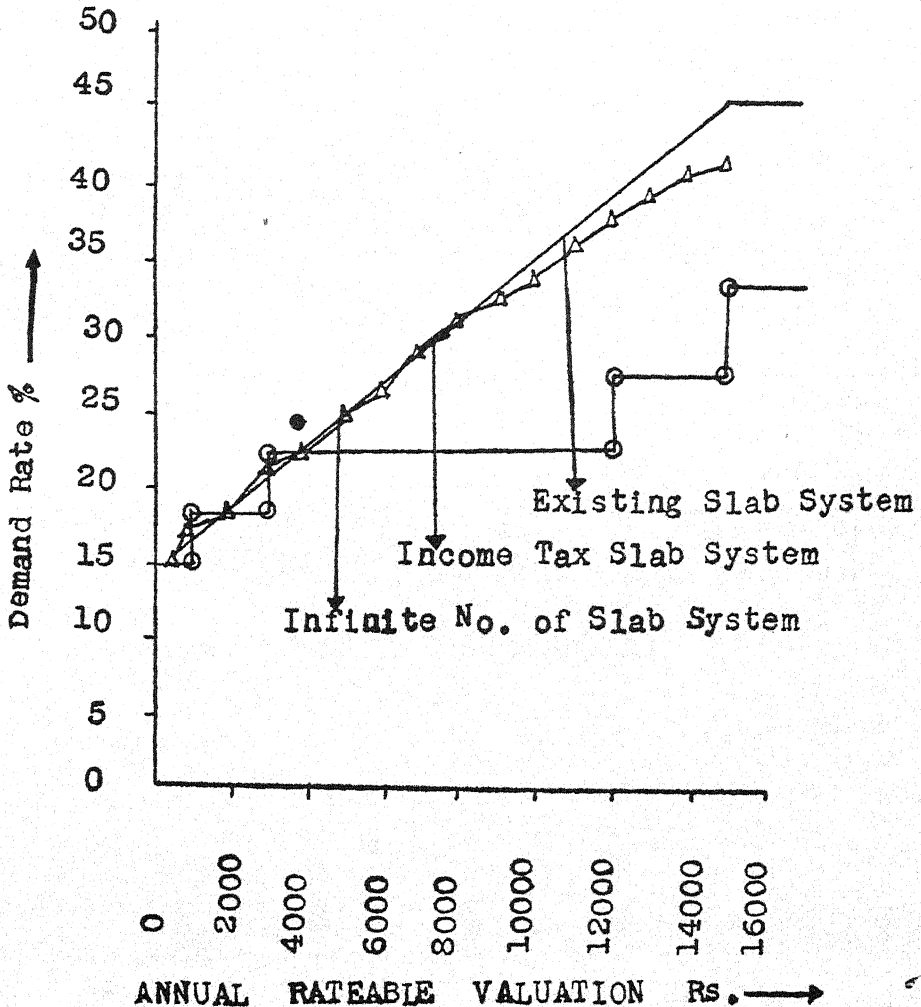
Rs. 501 — 2,000 : Rs. 75 + 20%

Rs. 2,001 — 4,000 : Rs. 375 + 26%

Rs. 4,001 — 6,000 : Rs. 895 + 35%

Rs. 6,001 — 10,000 : Rs. 1,595 + 45%

Rs. 10,001 and above : Rs. 3,395 + 50%



**PROPOSAL FOR RATIONALIZATION OF SLAB SYSTEM FOR IMPOSITION OF  
CONSOLIDATED RATE UNDER THE CALCUTTA MUNICIPAL ACT, 1951**

**Alternate 3**

**ST. LINE SYSTEM — TERMINAL VALUES**

Rs. 500 and below : 15%

Rs. 15,000 and above : 40%

**INCOME TAX SYSTEM BASED SLABS**

Rs. 500 and below : 15%

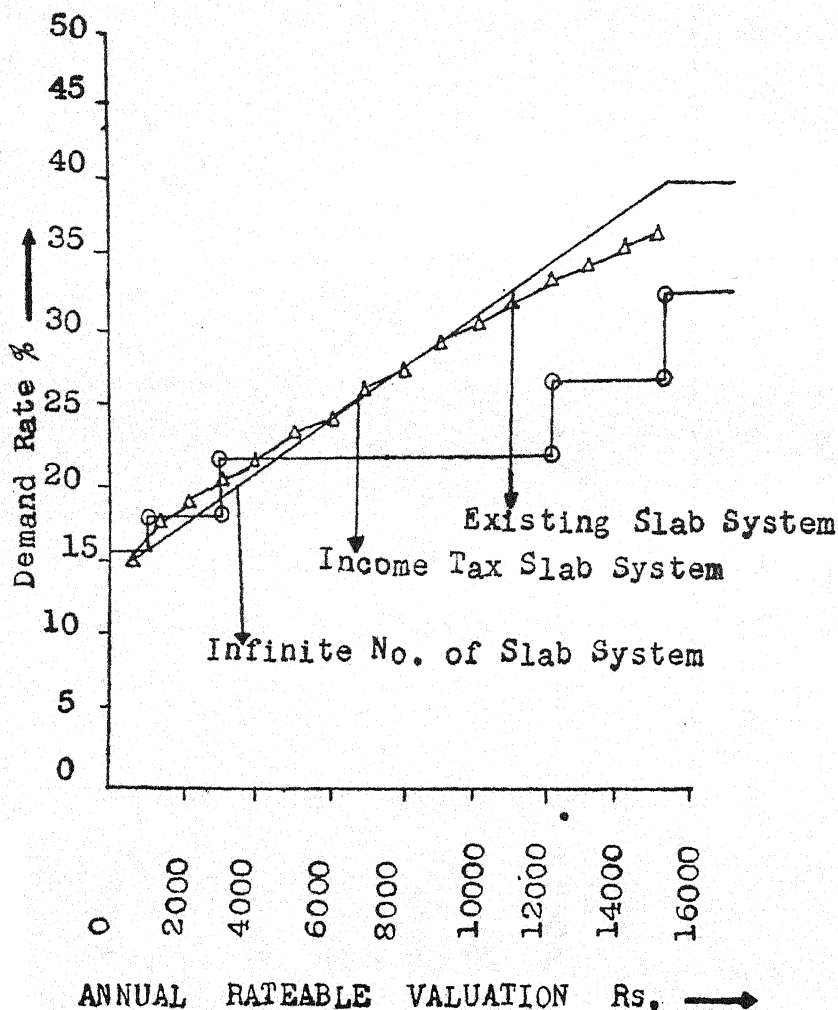
Rs. 501 — 2,000 : Rs. 75 + 20%

Rs. 2,000 — 4,000 : Rs. 375 + 25%

Rs. 4,001 — 6,000 : Rs. 875 + 30%

Rs. 6,001 — 10,000 : Rs. 1,475 + 40%

Rs. 10,001 and above : Rs. 3,075 + 50%





# SOME ASPECTS OF POPULATION AND EXPENDITURE ON URBAN PUBLIC SERVICES\*

S. RAMA RAO and M. NAGESWARA RAO

*"Economists have long been concerned with output and its measurement, although only a few have turned to the public sector and even fewer to urban public services" <sup>1</sup>*

Urbanization and industrial activity have partly been the reasons attributable for a rise in the population growth and consequent density in the towns and cities. This, by and large, has intensified the need for a proliferation of expenditure levels on the pure public goods such as education, water supply, drainage, public health, sanitation, roads, etc. The situation so far is a disquieting one leading to the apportioning of too few public goods by too many claimants. This has generated gap between the urban local public sector and the local community in terms of the need for the welfare maximization. Lack of proper forecasting both for current and capital requirements has distorted their operations; and, as a result, the supply of public goods has failed to be commensurate with the population growth. In other words, while the quantum of the public goods (or the production levels) has remained constant the number of claimants has grown enormously. In the light of this macro perspective, the purpose of this paper is to examine the extent to which the supply levels of public goods (expenditure levels) are sensitive to population growth in the municipal towns of Karnataka. The first section deals with the trends in urban population growth and its impact on the local bodies' status. The second section analyses the growth of finances and the supply of urban public goods in relation to the population growth. The third section examines problem empirically. And the last section presents the policy conclusions.

\*The authors are thankful to Dr. G. Thimmaiah for encouragement and grateful to Dr. K.N. Reddy for helpful comments. However, the authors are responsible for the opinions expressed.

<sup>1</sup>Hirsch, Werner Z., "The Supply of Urban Public Services," in Perloff, Harvey S., and Wingo Jr., Lowden (eds.), *Issues in Urban Economics*, The Johns Hopkins Press, Baltimore, 1968, Part III, p.478.

## SOURCES OF DATA

The study is based on the data compiled from : (1) *Report of the Municipal Finance Enquiry Committee* (1975) (MFEC); (2) *Census of Karnataka 1961 and 1971*; and (3) *Brochures on the Karnataka Local Bodies' Statistics*. The study has been confined to 217 Municipal towns out of 245 because of the data limitations. Moreover, we have excluded the municipal corporations such as Bangalore and Hubli-Dharwar, because of their likely nature of distorting the results of the analysis as they are big in size and also they constitute a study by themselves.<sup>2</sup>

## I

## POPULATION : ITS GROWTH AND DENSITY

The growth of population in Karnataka (just as in any other state) has been phenomenal. The size of urban population in Karnataka in 1971 was 71.22 lakhs constituting 24.3 per cent of the total population in the State. This has witnessed greater growth than the rural areas. Further, the percentage variation of growth between 1951-61 to 1961-71 has been the highest with 35.23 per cent. The overall growth of the urban population during seven decades is 334.30 per cent while it is 94.28 per cent in rural areas.<sup>3</sup> This is reflected in the formation of increased number of local bodies and also transformation of smaller local bodies to the higher status ones. For example, in 1961, there was only one Municipal Corporation in Karnataka and the number of Municipalities was 181 which increased to 245 in 1975 with a rise of 35.4 per cent. Hubli-Dharwar was upgraded to Corporation status in 1962 and Mysore is being contemplated for the same.<sup>4</sup> Thus increased growth of urban population has led to the increased density resulting in escalation of human settlements calling for the provision of more public goods.<sup>5</sup>

For the purpose of our analysis we have divided the 217 towns into three size classes and are presented in Table 1.

The rapid rate of population growth in urban areas generally takes place both on account of natural growth and the exodus in search of employment opportunities. This fact is much more powerfully reflected

<sup>2</sup>Rama Rao, S., *Finances of Bangalore Municipal Corporation*, Institute for Social and Economic Change, Bangalore, Allied, New Delhi.

<sup>3</sup>*Urbanization Trends in Karnataka 1901-61*, Bureau of Economics and Statistics, Government of Karnataka, Bangalore, 1977, Section II.

<sup>4</sup>*Report of the Municipal Administration Department* (annual), Government of Karnataka, Bangalore, 1976.

<sup>5</sup>Sinha, K.K., *Local Taxation in a Developing Economy*, Vora and Co., Bombay, 1968, Ch. IV. Also see for example, Rama Rao, S., "Profession Tax in Andhra Pradesh Municipalities : Problems, Prospects and Evaluation", *Asian Economics Review*. See Ashish Bose (Ed), *Studies in India's Urbanization*, Tata McGraw Hill, New Delhi, 1974.

TABLE 1 GROUPING OF KARNATAKA TOWNS ACCORDING TO THE POPULATION SIZE (1971)

<i>Class</i>	<i>Population Size</i>	<i>Number of Towns</i>
Major	Above 50,000	17
Medium	Between 50,000 and 15,000	68
Minor	Below 15,000	132
Total		217

in the context of major cities and towns where: (1) a rapid expansion in the public and private sectors is taking place, and (2) there is availability of better civic service conditions. These factors have a bearing in the growth and formation of cities/towns in Karnataka. Among the classes of cities/towns we considered, population growth over a decade (1961-71) is more rapid in the higher class compared with the lower ones (Table 2). Also it can be observed from Fig. 1 which gives the graphical representation of Table 2 that the curve of major municipalities has concentrated more towards the higher growth rates whereas the curves of the medium and minor municipalities are more and more concentrated towards lower

TABLE 2 PERCENTAGE DISTRIBUTION OF TOWNS ACCORDING TO ANNUAL POPULATION GROWTH RATES

<i>Growth Rate (%) Class</i>	<i>Major Towns</i>	<i>Medium Towns</i>	<i>Minor Towns</i>	<i>All Towns</i>
Below 1	—	4(5.9)	8(6.1)	12(5.5)
1—2	1(5.9)	9(13.2)	34(25.8)	44(20.3)
2—3	2(11.8)	20(29.4)	51(38.6)	75(34.6)
3—4	4(23.5)	18(26.5)	21(15.9)	41(18.9)
4—5	4(23.5)	9(13.2)	10(7.6)	23(10.6)
5—10	5(29.4)	8(11.8)	8(6.1)	21(9.7)
10 and above	1(5.9)	—	—	1(0.5)
Total	17(100.0)	68(100.0)	132(100.0)	217(100.0)

NOTE : Figures in parentheses denote percentages to total.

SOURCE : (1) Compiled from MFEC, and

(2) Census of India 1961 and 1971, Mysore, General Population Tables.

growth rates. The direction and the extent to which the curves exhibited the tendency are given by the coefficients of skewness as  $-1.00$  for +major,  $0.04$  for medium and  $+0.06$  for minor municipalities arranged in descending order. Consequently, it is clear that, there is a quick change in the status of municipalities but with a little effect on expansion of the jurisdiction. This, in turn, has been increasing the density of population.

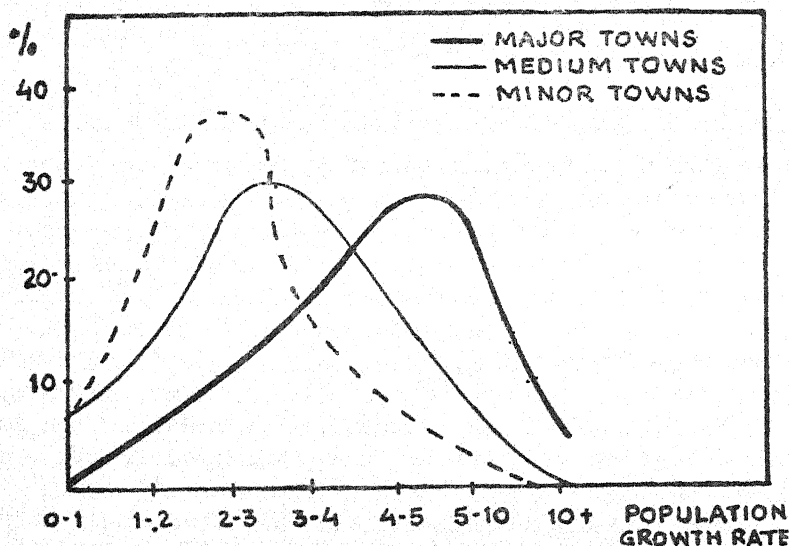


Fig. 1 Percentage distribution of the towns according to the Annual Population Growth Rate

## II

Has the population growth contributed anything financially to the urban public fisc? We are convinced that its contribution is not commensurate with the rate at which it accentuates the demand functions. This is perhaps where the crisis has emerged and started assuming problems of alarming nature. For example, the rate of growth of population in these towns is 3.1 per cent over a decade, the expenditure has registered 5.6 per cent growth rate while the revenue 5.8 per cent which is inadequate<sup>6</sup> to meet the public service requirements for the production of a unit of public good requires much higher a proportion of investment.

Coming to the investment gap, it is evident that while the average per capita expenditure to be incurred<sup>7</sup> by all the categories of towns works out

<sup>6</sup>See MFEC, p. 72.

<sup>7</sup>Report of the Committee on Augmentation of Financial Resources of Urban Local Bodies, Government of India, New Delhi, 1963, Ch. IV, p. 117.

to Rs. 29 (at 1961 prices), the municipalities spent only Rs. 18.64 in 1961 and Rs. 24.00 in 1971 (Table 3). And the per capita investment by

TABLE 3 GROWTH OF FINANCES OF TOWNS IN KARNATAKA

Finances	1960-61*			1970-71†			Annual Com- pound growth rate 1960-61 1970-71
	Amount in Rs. lakhs	% to the total	Per capita Rs.	Amount in Rs. lakhs	% to the total	Per capita Rs.	
<b>I. Revenue</b>							
(1) Taxes	277.22	40.7	7.60	619.28	49.3	12.17	7.6
(2) External sources	193.69	28.4	5.31	373.80	29.7	7.35	6.1
(3) Other sources	175.72	25.8	4.82	240.81	19.2	4.73	2.9
(4) Income from Commercial enterprises	34.48	5.1	0.95	23.10	1.8	0.45	-3.7
Total	681.11	100.00	18.68	1256.99	100.00	24.70	5.8
<b>II. Expenditure</b>							
(i) <i>General Expenditure</i>							
Total	314.22	46.2	8.62	764.72	61.6	15.03	8.4
(1) Public lighting & water supply	59.85	8.8	1.64	234.15	18.8	4.60	13.2
(2) Drainage & Sanitation	99.46	14.6	2.73	188.26	15.2	3.70	6.0
(3) Hospitals & dispensaries	18.97	2.8	0.52	28.96	2.3	0.57	4.00
(4) Public Instruction	51.51	7.6	1.41	17.83	1.4	0.35	-10.1
(5) Miscellaneous	84.43	12.4	2.23	295.52	23.8	5.81	12.1
(ii) <i>Capital Expenditure</i>							
Total	131.35	19.4	3.60	227.07	18.3	4.46	5.1
(1) Roads	45.23	6.7	1.24	108.49	8.7	2.13	8.3
(2) Others	86.12	12.7	2.36	118.58	9.6	2.33	3.0
(iii) <i>Debt and other expenditure</i>	204.66	30.1	5.61	219.11	17.7	4.31	0.7
(iv) <i>Expenditure on Commercial enterprises</i>	29.58	4.4	0.81	30.54	2.5	0.60	0.3
Total expenditure current & capital	679.81	100.0	18.64	1241.44	100.0	24.39	5.6

SOURCES. Compiled from :

\**Statistical Abstracts of Karnataka*, Bureau of Economics and Statistics, Government of Karnataka, Bangalore.

†*Brochure on Local Bodies Statistics*, Bureau of Economics and Statistics, Government of Karnataka, Bangalore, 1971-72.

the major, medium (and also minor) towns was only Rs. 27.54 and Rs. 17.26 respectively during 1972-73 (Table 4) whereas even at 1961 prices the national standard level prescribed was Rs. 39.09, Rs. 27.62 and Rs. 21.07 for major, medium and minor towns (Table 5) respectively.<sup>8</sup>

TABLE 4 PER CAPITA FUNCTIONAL DISTRIBUTION OF  
CURRENT OUTLAYS (1972-73)

(Rs.)

<i>Class of the Local Bodies</i>	<i>General Administration</i>	<i>Public safety</i>	<i>Public Health, Sanitation, and Convenience</i>	<i>Public Works</i>	<i>Others</i>	<i>Total</i>
(1) Major	4.77	2.42	11.65	7.53	1.17	27.54
(2) Medium and Minor	4.49	1.98	6.06	2.86	1.87	17.26

SOURCE : MFEC, pp. 85-6.

TABLE 5 ESTIMATED PER CAPITA CURRENT INVESTMENT  
REQUIRED BY URBAN LOCAL BODIES

(Rs. in 1961 prices)

<i>Function</i>	<i>Class A (Major)</i>	<i>Class C (Medium)</i>	<i>Class E (Minor)</i>
(1) General administration	4.00	2.00	1.00
(2) Public safety	0.40	0.20	0.05
(3) Public health and medical services	2.00	0.75	0.25
(4) Water supply	10.20	8.64	7.42
(5) Sewerage and Sewerage disposal	11.90	9.30	8.20
(6) Roads and Sidewalks	2.20	1.35	1.10
(7) Street illumination	2.85	2.30	2.00
(8) Education	5.00	3.00	1.00
(9) Horticultural operations	0.38	0.08	0.05
Total	39.93	27.62	21.07

NOTE : For the sake of comparison we have chosen class A, class C and class E towns of the report (1963).

SOURCE : Report of the Committee on *Augmentation of Financial Resources of Urban Local Bodies*, op. cit.

<sup>8</sup>For a fuller discussion, see Rama Rao, S. and Nageswara Rao, M., "Problems and Prospects of Urban Local Public Sector in Karnataka", *Economic Times*, March 22, 23 and 24, 1977.

*Standards Public Goods: Inter-Sectoral Variations*

There is no set pattern either in the inter or intra-town functional allocation of expenditures. The former is guided by the financial resources available while the latter is governed by the unknown decisions. The differences in the allocation can be clear from Table 6 which delineates the coefficient of variations. For instance, the per capita total expenditure has varied between 34.7 per cent in major towns to 79.9 per cent in the minor municipalities. The per capita public health has varied between 31.3 per cent to 72.2 per cent while the per capita public works between 116.1 per cent to 121.2 per cent between the same towns. However, the per capita revenue has shown a variation of 24.3 per cent in major towns and 37.9 per cent in minor towns.

The following analysis which dwells upon the expenditure<sup>9</sup> levels of a variety of public goods would reflect the extent to which each of the services was able to claim a role on the public outlays (perhaps, it is a traditional undernourishment hypothesis).

In this connexion some indicators of service levels require a little run to understand the inter-variation of each class of towns. The levels of expenditures on the civic services have not been influenced by the population factor because of incommensurate investment rate in relation to the population growth. To begin with, the public toilet facilities have been bad in almost all the towns. The range of variation is between 84 and 115 per cent (Table 6). With respect to the street illumination the variation is 58

TABLE 6 COEFFICIENT OF VARIATION (%) OF THE INDICATORS  
OF FINANCIAL AND SERVICE LEVELS

	Major Towns	Medium Towns	Minor Towns
<b>I. Financial Factors</b>			
(1) Per capita total expenditure ( $TE_p$ )	34.7	41.9	79.9
(2) Per capita Public Health expenditure ( $PH_p$ )	31.1	46.3	72.2
(3) Per capita public works expenditure ( $PW_p$ )	116.1	80.2	121.2
(3) Per capita total Revenue ( $R_p$ )	24.3	50.2	37.9
<b>II. Service Levels</b>			
(1) Toilets per 1000 population ( $L_p$ )	84.0	115.0	104.4
(2) Street lights per km of road ( $L_{km}$ )	58.3	108.6	105.4
(3) Hospital beds per 1000 population ( $M_p$ )	51.4	74.6	92.1
(4) Per capita water supply per diem ( $W_p$ )	78.1	96.2	116.6
(5) Road length per square kilometre of area ( $R_{skm}$ )	124.6	127.9	103.6

<sup>9</sup>Fuller analysis is made in Rama Rao, S. and Negeswara Rao, M., *Economics of Urban Local Public Sector* (in progress).

per cent in major, 109 per cent in medium and 105 per cent in minor towns requiring much to be done at least in reducing the gap within the class of medium and minor towns.

The hospital bed ratio is of equal importance particularly where the demand for medical services ( $M_p$ ) is on the rise. The variation range of this service is between 51 per cent in major towns to 92 per cent in the minor towns (Table 6).

It is evident both from the local as well as national reports<sup>10</sup> and also from the World Bank surveys that the per capita availability of Wp is staggeringly low and alternatively less hygienic sources are resorted to. The coefficient of variation has registered 78, 96 and 116 per cent in the major, medium and minor towns respectively. This is an indication that either insufficient or partial water supply is more in the case of minor and medium groups of towns which has to be reduced. The road construction ( $R_{s.k.m}$ ) activity is poor and this has in turn brought down the scale and quality of its availability. Moreover, the transformation of the mud to gravel or gravel to cement or tar roads has not taken place in some of the towns for cost considerations. The highest variation registered with respect to the medium towns is 128 per cent while the lowest is 104 per cent in minor towns and the major towns accounted for 124 per cent.

Thus the analysis makes prognosis on how best we can step up the standards of the urban public goods against their present situation.<sup>11</sup> What appears clearly is that population which is the sole factor in creating demand for public goods has turned out to be insignificant. It is perhaps, due to the failure of the urban authorities in considering the catalytic nature of the factor. Whether the above observations are true with respect to Karnataka State can be answered by means of a mathematical verification.

### III

#### EMPIRICAL VERIFICATION

In order to examine the impact of increasing rate of population and its effect on the public good we have chosen the multiple linear regression model in an additive form as :

$$Y_i = a + \sum_k b_k X_{ik} + e_i \dots\dots\dots(1)$$

<sup>10</sup>*Report of the National Water Supply and Sewerage*, Government of India, Ministry of Health, 1961; *Report on Village Water Supply* (IBRD, 1974); Myrdal, Gunnar, *Asian Drama : An Enquiry into the Poverty of Nations*, Penguin, 1968, Vol. II. Also see Rama Rao, S., *Financing Municipalities in Andhra Pradesh : A Case Study* (Unpublished Ph. D. dissertation, Andhra University, 1973).

<sup>11</sup>See Rama Rao, S. and Nageswara Rao M., "Urbanization—Present and Future Public Service Systems in Karnataka", in Madaiah, M. (ed.), *Issues in Economic Development of Karnataka State* (Forthcoming).



Where

- $Y$  = dependent variable;  
 $X$  = independent variable;  
 $a$  = intercept;  
 $b$  = regression coefficient;  
 $e$  = error term;  
 $i$  = number of observations; and  
 $k$  = number of independent variables.

The available data for a cross-sectional analysis of this type has wide variations, as the type of towns are heterogenous in nature with varying sizes of population, budgets and jurisdictions. To overcome this difficulty, to get equally comparable estimates and to distinguish the population impact, the major, medium and minor groups are further divided into five homogenous sets by taking the population size as criterion as given in Table 7.

TABLE 7 SETS OF TOWNS ACCORDING TO THE POPULATION SIZE  
(1971 CENSUS)

Levels of Town		Population Size Group	No. of Towns
Major	Set I	Above 50,000	17
Medium	Set II	between 25,000 and 50,000	29
	Set III	between 15,000 and 25,000	39
Minor	Set IV	between 10,000 and 15,000	67
	Set V	below 10,000	65
Total			217

According to this classification the model (1) can be rewritten as :

$$Y_i^j = a_j + \sum_k b_k^j X_{ik}^j + e_i^j \dots \dots \dots (2)$$

Where

- $i$  = 1 to  $n$  towns in  $j_{th}$  set,  
 $j$  = I to V sets.

The problem for verification is that whether the supply of public services is commensurate with the population pressure. Accordingly, we formulate the hypothesis for testing as the towns' expenditure levels are determined by the population factors. ( $H_0 : b_k^j = 0$ , where  $k$  is limited to population factors).

We propose to examine the total expenditure and the two major functional distributions of it *i.e.*, (1) expenditure on public health, sanitation and convenience, and (2) expenditure on public works. These being the dependent variables (supply of public goods), the determining variables in question are : population growth rate over a decade (1961-71) and the density of population of a town. But the expenditure levels are not solely influenced and determined by population factors alone. Hence, in order to get a precise estimate of the regression coefficients of these factors, we have considered revenue factor and 'grants and loans' which are selected on the basis of theoretical as well as previous investigations.<sup>12</sup>

Usually the financial data for a study of this kind would be in a crude form and hence taking three years' (1969-70 to 1971-72) average and presenting them in per capita terms will ensure a built-in tendency to raise the accuracy of the estimation procedure.

According, the set of variables for our model for examination is as follows :

#### *Dependent Variables*

$TE_p$  = Per capita total expenditure.

$PH_p$  = Per capita expenditure on public health, sanitation and convenience.

$PW_p$  = Per capita expenditure on public works.

#### *Independent Variables*

$G_r$  = Annual population growth rate (1961-71)

$P_d$  = Population density (1971)

$R_p$  = Per capita own revenue

$GL_p$  = Per capita grants and loans.

The dependency and independency coefficients are calculated for each set and presented in Table 8.

It is evident from Table 8 that most of the independent variables are not significantly related to each other. But there is a little doubt to consider the population factors in some of the sets on the basis of dependency coefficients. However, these coefficients give only a partial information and hence we proceed further to estimate the linear equations for all the sets with all independent variables.

<sup>12</sup>Spangler, Richard, "Effect of Population Growth upon State and Local Government Expenditure", *National Tax Journal*, Vol. XVI, 1963; Sacks, Seymour, *et. al.*, "Determinants of State and Local Government Expenditures and Inter-Governmental Flows of Funds", *National Tax Journal*, Vol. XVII, 1964; Atal Sarma, *et. al.*, "Determinants of Local Government Expenditure in Gujarat", *Anveshak*, Vol. IV, No. 2 (Dec. 1974); Rama Rao, S. and Nageswara Rao, M., "Inter-Municipal Expenditure Variations in Karnataka—An Econometric Analysis" (Forthcoming).

TABLE 8 DEPENDENCY AND INDEPENDENCY MEASURES OF VARIABLES

	$P_d$	$R_p$	$GL_p$	$TE_p$	$PH_p$	$PW_p$
Set I						
$G_r$	0.199	-0.028	-0.517*	-0.320	0.385	-0.171
$P_d$		0.223	-0.125	-0.258	0.205	0.193
$R_p$			0.356	0.423*	0.651*	0.684*
$GL_p$				0.519*	0.120	0.423*
Set II						
$G_r$	0.104	-0.104	-0.213	0.228	-0.256	0.212
$P_d$		0.060	-0.163	-0.207	0.201	0.282
$R_p$			0.255	0.644*	0.415*	0.516*
$GL_p$				0.320*	0.117	0.458*
Set III						
$G_r$	-0.132	0.358*	-0.239	0.201	0.254	0.204
$P_d$		-0.016	-0.205	-0.209	-0.274*	-0.159
$R_p$			0.549*	0.745*	0.655*	0.707*
$GL_p$				0.599*	0.534*	0.590*
Set IV						
$G_r$	-0.082	0.396*	0.124	0.268*	0.325*	0.273*
$P_d$		-0.001	-0.077	0.399*	0.210*	0.161
$R_p$			0.436*	0.770*	0.665*	0.497*
$GL_p$				0.708*	3.416*	0.599*
Set V						
$G_r$	-0.011	0.050	-0.078	0.274*	0.277*	-0.211*
$P_d$		0.072	0.112	0.236*	0.382*	0.177
$R_p$			0.450*	0.601*	0.601*	0.606*
$GL_p$				0.115	0.286*	0.240*

\*Indicates significant at 5% level.

The form of the regression equations finally to be estimated can be expanded and rewritten as :

$$TE_p^j, PH_p^j, PW_p^j = a^j + b_1 G_r^j + b_2 P_d^j + b_3 R_p^j + b_4 GL_p^j + e^j$$

For all  $j$  sets.

The procedure adopted to estimate these regression equations is the ordinary least square (OLS) method and the estimated equations are

presented in Table 9. We consider at last 5 per cent significance level in rejecting or not rejecting the formulated hypothesis.

It is evident from the estimated equation that for all expenditure levels and for all sets, the population growth factor has turned out as insignificant even at 5 per cent level except for the sets II and V in  $PW_p$ . This gives ample scope not to reject the formulated null hypothesis that the population growth rate is not able to explain the expenditure levels and variations. Its influence on total expenditure is at its maximum (0.4815) for the set II of medium class and minimum ( $-0.0201$ ) for the set IV of minor class, its influence on expenditure on public health, etc., is maximum (0.3812) for the set V and minimum (0.1753) for the set IV, both are in minor class. Again, on expenditure on public works, it is maximum (0.6807) for the set II (which turned out as significant) and minimum (0.0022) for the set III of medium class.

Similarly, the factor population density also, except in the case of set IV for total and public works expenditure levels, turned out as insignificant. Its influence on total expenditure is at its maximum ( $-0.0354$ ) for

TABLE 9 REGRESSION RESULTS: ( ) STANDARD ERROR OF  
REGRESSION COEFFICIENTS, [ ] BETA COEFFICIENTS

Dependent Variable $TE_p$						
Set No.	Intercept	Determinants				$-2R$
		$G_r$	$P_d$	$R_p$	$GL_p$	
I	0.4909	-0.2774 (1.0265) [-0.0655]	-0.0340 (0.0335) [-0.0129]	0.9406* (0.3440) [0.6265]	1.5017 (2.3886) [0.1646]	0.7128
II	8.3458	0.4815 (0.5558) [0.1338]	-0.0040 (0.0223) [-0.0274]	0.4649* (0.1190) [0.6116]	0.5976 (0.5076) [0.1885]	0.6770
III	9.5193	-0.1043 (0.7262) [-0.1763]	-0.0354* (0.0199) [-0.1878]	0.6931* (0.1328) [0.7212]	0.8698 (0.7286) [0.1570]	0.8095
IV	1.1743	-0.0201 (0.4031) [-0.0033]	0.0233* (0.0104) [1.1350]	0.4105* (0.0520) [0.5660]	2.4689* (0.3467) [0.4721]	0.8842
V	-2.7065	0.4423 (0.9955) [0.0445]	0.0104 (0.0115) [0.0939]	0.9918* (0.1642) [0.6066]	1.9324 (1.8216) [0.2369]	0.6240

Dependent Variable  $PH_p$ 

Set No.	Intercept	Determinants				-2R
		$G_r$	$P_d$	$R_p$	$GL_p$	
I	4.5719	0.1753 (0.3879) [-0.1259]	-0.0052 (0.0211) [-0.0606]	0.1549 (0.1299) [0.3139]	1.0094 (0.9026) [0.3345]	0.5917
II	5.5891	-0.3229 (0.2595) [-0.2294]	0.0056 (0.0104) [0.0985]	0.1158* (0.0556) [0.3896]	-0.0187 (0.2379) [-0.9151]	0.4781
III	3.5711	-0.2123 (0.3350) [-0.0861]	-0.0181 (0.0092) [-0.2448]	-0.2263* (0.0612) [0.5981]	0.3303* (0.3361) [0.1520]	0.7257
IV	0.5069	0.2188 (0.2591) [0.5585]	0.0021 (0.0067) [0.5595]	0.1673* (0.0334) [0.5595]	0.3510 (0.2229) [0.1630]	0.6839
V	0.8701	0.3812 (0.4214) [0.0521]	0.0113 (0.0194) [0.0113]	0.8432* (0.2134) [0.1812]	0.4138 (0.3823) [0.0385]	0.6812

Dependent Variable  $PW_p$ 

Set No.	Intercept	Determination				-2R
		$G_r$	$P_d$	$R_p$	$GL_p$	
I	-14.5080	0.1731 (0.8911) [0.0348]	0.0068 (0.0484) [0.0320]	0.8288* (0.2983) [0.6780]	-0.6847 (2.0735) [-0.9160]	0.6642
II	-3.1984	0.6807* (0.2859) [0.3529]	-0.0062 (0.0115) [-0.0802]	0.1853* (0.0612) [0.4547]	0.6860* (0.2622) [0.4036]	0.7077
III	-0.3067	0.0022 (0.2278) [0.0013]	-0.0050 (0.0063) [-0.0956]	0.1508* (0.0416) [0.5609]	0.4059 (0.2285) [0.2627]	0.7531
IV	-1.2525	0.2351 (0.1678) [0.1401]	0.0099* (0.0043) [0.2107]	0.0438* (0.0216) [0.2229]	0.7080* (0.1443) [0.5004]	0.6951
V	0.5417	-0.6709* (0.2695) [-0.2404]	0.0043 (0.0031) [0.1334]	0.3072 (0.0500) [0.6688]	-0.1624 (0.2504) [-0.0706]	0.7103

\*Indicates significant at least at 5 per cent level.

the set III and minimum ( $-0.0040$ ) for the set II of medium class. On the expenditure on public health its influence is maximum ( $-0.0181$ ) for the set III of medium class and minimum ( $0.0021$ ) for the set IV of minor class. Similarly, on the expenditure on public works it is maximum ( $0.0099$ ) for the set IV and minimum ( $0.0043$ ) for the set V of minor class. For both these factors, 20 uniform pattern of their contribution is revealed.

However, the regression coefficients themselves may not reflect the exact influence since the units of measurements of dependent and independent variables are different. To overcome this difficulty and to facilitate the comparisons with other factors the coefficients are standardized (beta coefficients) and presented in brackets below the standard errors of each regression coefficient.

#### IV

The growing levels of urbanization and industrial activity have caused a deep dent in the budgetary position of the urban local public sector. This has further resulted in poorer levels of investment in the production of public goods. The town authorities have failed to mobilize their revenue sources adequately nor the contribution of the industry (at least in a few towns) has helped bridge the budgetary gap. As a consequence, deteriorating levels in the availability of public goods has become evident and hence the desirable course of action appears to be the proper mobilization of revenues and its rational allocation.

The rapid expansion in the public and private investments in the promotion of industrial development has possibly added to the existing natural levels of population growth. This has escalated the depth and spread of settlements and led virtually to enriching the status of a few of the towns, paradoxically, without any commensurate rise in the qualitative improvement and quantitative expansion in the levels of public goods. Thus the coefficient of variation with respect to a variety of public goods has exhibited wide differences both in inter- and intra-class of towns.

The demand for public goods is as important as its supply. Population which is a cause and consequence of natural and migratory growth has tended to consume the public goods, and hence it should tend to influence the expenditure levels. Since this factor was not considered by the town authorities, it has not shown any influence on expenditure levels as is also evident from the empirical test. In fact, what is eminently desirable is that adequate forecasting in the variations of the population factor and the possible avenues of meeting it have to be taken into account while planning the requirements. It is not only the current levels of investment but also the future investment at adequate levels to meet the demand for public goods that form the core of the pure public goods analysis for any tier of public authority.

# FINANCING OF URBAN DEVELOPMENT

S.S. GADKARI

According to the 1971 census, the urban population of India is nearly 20 per cent of the total population of the country. As compared to most of the developed countries where as much as 50-60 per cent of the population resides in urban areas, the percentage of urban population in India is not very large and in view of the strong correlation between development and urbanization, there is no need to decry the process of urbanization. There are, however, certain special features which make urbanization in India a serious socio-economic problem.

Firstly, though only 20 per cent of the total population, in absolute figures, it is a very substantial number and India's urban population of nearly 11 crores in 1971 was the third highest in the whole world. The provision of even the minimum civic services to such a large population is indeed a formidable problem.

Secondly, urbanization in India is a recent phenomenon. In the developed countries of the West the process of urbanization was spread over a fairly long period starting with the Industrial Revolution—a span of 100-150 years and in some cases even 209 years. In India the process of urbanization has suddenly spurted in the last 25-30 years. While our total population has increased by about 80 per cent in 30 years, the urban population has increased by 150 per cent. Between the last two census the urban population went up by 3 crores.

Thirdly, in the developed countries of the West, urbanization followed industrialization which itself was spread over nearly 150-200 years and people from rural areas were pulled to urban areas by industrialization. In India, urbanization is ahead of industrialization and is caused more by the push of rural poverty than by the pull of urban prosperity. This creates a gap between the urban population and employment opportunities—a gap which creates problems because of the poor capacity of the urban dwellers to pay for the civic services. The Indian urban area is characterized by large hordes of people pushed out from the rural areas by the pressure on land and without any adequate sources of livelihood in the urban area. A large percentage of them eke out a wretched living by doing odd jobs or by hawking in streets, some of which are now almost

choked by hawkers. About 70 per cent of the families in our larger cities earn less than Rs. 350 per month and belong to what are called the economically weaker sections of the society.

As Ved Prakash has pointed out in his study of New Towns, even in the new factory-towns like Bhilai or Sindri, where industry has preceded urbanization, it will be beyond the paying capacity of these town dwellers to maintain the town from their own earnings.

The increasing capital-intensive technologies make it all the more difficult to fill up the gap between urban population and the employment opportunities. This gives rise not only to economic but also social problems.

A common problem of all underdeveloped countries is the lack of adequate resources to deal with the problems of urbanization.

Perhaps worse than all these features is the lack of consciousness among the general public and among the political administrators, of the urgency and the seriousness of the problem. It is worthwhile noting that till the Third Five Year Plan, there was no separate provision for urban development in our Plans.

#### THE NEEDS OF AN URBAN AREA

Before we come to the question of finance for urban development it is useful to set down what are the requirements of an urban area for which finance is required. Actually the basic requirements of urban and rural man are not different. What differs is the method of procuring these requirements and their scale and quality.

The first requirement of man whether in urban or rural areas, whether living in civilized or wild communities, is food. Since urban areas do not grow any food but buy it from other areas, we need to provide the urban man with the means to buy his food and other necessities of life. In other words, his first requirement is the means of earning his livelihood which includes jobs and facilities for self-employment in industry and commerce.

Secondly, rural or urban man need shelter or housing.

Thirdly, we require a clean livable environment. This includes clean air, water and good sanitation, open air spaces and play grounds.

Fourthly, urban man requires to a much greater extent than rural man, good communications with surrounding areas. This includes not only vehicular transport and channels for this transport but other means of personal communication such as telephones and telegraph.

Finally we need certain social amenities like schools, colleges, hospitals, dispensaries, markets and facilities for social intercourse like community centres and gymkhanas.

In practice the priorities as reflected in the public investment and the consciousness about these needs of urban man is inversely proportional to the theoretical order of priorities indicated above. There is hardly, if ever,



any conscious or purposive effort to increase urban employment which is largely a byproduct of private enterprise and certain public policies such as deconcentration of industries. Housing, the next item on the priority list, is the Cinderella of Planning. The meagre funds that it gets from each Plan are often the first casualty of any move for economy. Environmental needs like water supply, drainage and sanitation have invited increasing attention and investment from the Government, but are still much below the actual requirements. In the matter of communication and social amenities the shortfalls are much less than for the other requirements partly because the investment required for these is much less and partly because some of these facilities like schools, colleges and hospitals can be stretched to serve a much larger population than what they are meant for. The patients lying on the floors of hospitals, and school classes crammed with sixty to seventy children in each class are examples of such stretching.

#### AGENCIES FOR URBAN DEVELOPMENT

A large proportion of these needs are supplied by the urban local authorities, particularly municipalities. The environmental requirements such as water supply, drainage, lighting, open spaces are provided by municipalities. Likewise markets, hospitals, dispensaries, schools and in some cases even colleges are provided partly by Government and partly by the private sector.

As for housing, in most western countries this is regarded as a responsibility of the local authorities, the most outstanding example being the erstwhile London County Council which owned about 50 per cent of the housing in Greater London. In India, however, municipalities have not been able to shoulder this responsibility primarily because of their poor financial condition and in most states, Government had to set up special agencies like Housing Boards to provide housing after the Second World War. Nevertheless, municipalities do undertake some housing activity either for their own employees or for weaker sections of society. A related activity which is again being carried out through municipalities is slum-improvement which is only a substitute for proper housing.

In recent years certain special authorities have been set up especially for large cities to take over some of the functions traditionally assigned to municipalities. These are Improvement Trusts, Housing Boards, Administrations of Factory Towns, and Special Agencies like the Metropolitan Development Authorities, and the City and Industrial Development Corporation of Maharashtra (CIDCO). These bodies have come up only where the municipal organization is weak or where the problems of urbanization spill over the limits of more than one municipality. These special bodies are, however, confined to major metropolitan

towns or regions; elsewhere in the majority of urban areas, urban development is looked upon essentially as a municipal responsibility.

Finance for urban development is, therefore, identified with finances of municipalities and despite the growth of the special *ad hoc* bodies referred to above, as the World Bank Paper on Urbanization (1972) observes "a consensus seems apparent on the need to relate urban programming and planning much more closely with municipal budgets". Most enquiries in the past about urban finance were limited to Municipal finances. It is only in recent years that it is being realized that financing urban development is more than finance for municipalities.

#### ESTIMATING THE FINANCIAL NEEDS OF URBAN DEVELOPMENT

The first task is to estimate the needs of finance for Urban Development and one finds very inadequate information on the subject. There is hardly any attempt to work out on a scientific basis the finance required for urban development.

There are two ways of approaching this problem. The first is to work out micro-empirically the requirement of each city or town and then add up. Though such exercises have been done for some individual towns and cities, by and large, we do not have any comprehensive and realistic plans to assess the development needs of our cities and towns. Many municipalities have prepared town development plans or schemes under the Town Planning Acts but these are essentially land use plans to control city structure and the direction of growth of the city. They provide for the earmarking of lands for streets, parks and gardens and a few other amenities like schools or hospitals or offices. They lack other vital inputs like housing, water supply, drainage, schools or hospitals. Even these structural plans are often without any estimate of financial requirement. Some of the State Governments have asked the municipalities to prepare Five Year Development Plans but very few municipalities have done this exercise for want of expert staff but more so because of the futility of such an exercise without any prospect of getting reasonable funds. It is unfortunate that barring some funds for water supply and drainage schemes there is no provision in our Five Year plans for comprehensive and integrated development of our towns. Recently the Central Government has formulated a scheme for the 'integrated development' of the metropolitan cities but the provision for this is woefully inadequate and the benefit of the scheme is going only to a few metropolitan towns. There is very little effort for the development of small and medium towns which can give considerable relief to megalopolis like Bombay and Calcutta.

It is high time, therefore, that the State Governments take up this question of preparing comprehensive Development Plans for all urban areas after first laying down some norms and see that the requirements of funds

for these plans are taken into account not only in the preparation of the Five Year Plans but also in the deliberations of the Finance Commissions.

The laying down of some norms is absolutely essential because I have had occasion to see the investment Plans for a very large organization charged with the development of a city and the estimates prepared by three different persons differed by nearly 200 per cent.

The second method of estimating funds required for urban development is a kind of macro approach on the basis of certain assumed standard. This was the method followed by the Committee to study the Augmentation of Finances of Municipalities under the Chairmanship of Dr. Rafiq Zakaria, appointed by the Government of India in 1964. As stated earlier, till quite recently, finance for urban development was equated with finance for municipalities. The various Committees appointed by the State and Central Governments including even the Local Finance Enquiry Committee (1949) and the Taxation Enquiry Commission (1954) have followed more or less certain old ruts—enumerating the various sources of revenue of municipalities and ending with *ad hoc* recommendations to assign to them certain additional tax sources or grants.

The first attempt to get out of this rut was made by the Committee for the Augmentation of Finance of Municipalities, which with the help of the Town and Country Planning Organization, worked out certain physical standards for amenities for different classes of towns and the requirement of funds for these services provided by municipalities. These are reproduced in Annexures I and II. These figures will now have to be multiplied by about three times to provide for the increase in costs since 1958.

The Committee estimated that the gap between the resources and requirements of municipalities in the whole country was nearly Rs. 91 crores.

This pioneering work of the Committee, admirable as it was, was inadequate in two respects. Firstly, the Committee was concerned primarily with the traditional functions of municipalities like water supply, drainage and streets. It did not (or could not) take into account other aspects of urban development like housing or employment which were beyond the scope of the terms of reference of the Committee.

Secondly, this was essentially a macro study which had to be supplemented by more detailed studies at the State level. The financial resources of each State and the local bodies in the States differ very widely. Therefore, this detailed follow-up work has to be done at the State level. The Committee, therefore, recommended the appointment of State Level Finance Commissions. The reports of some of the State Level Commissions which have appeared so far are, however, disappointing. Despite the way shown by the Zakaria Committee, the State Finance Commissions have slid back into the old groove and reiterated the usual recommendations for assignment of State taxes and grants-in-aid without any scientific

study of the requirement-resources gaps. It is time the State Governments undertook such studies.

Thirdly, although the Committee has indicated the per capita capital cost for the various amenities, it has not given an estimate of the absolute amounts required. As recent experience has shown, in the case of the municipalities which are comparatively better off in respect of revenue income, the real problem is to find the necessary capital funds for major works.

It is also necessary to start further research work on the methodology of estimating funds required for Urban Development. The Zakaria Committee merely adopted the standards recommended by the TCPO, but there is only a brief indication of how these figures have been worked out. In particular, one should like to know whether regional difference in costs and standards have been taken into account. For an amenity like water supply there would be a very wide cost differential not only between regions but even between two cities in the same region depending upon the source of water supply. It may be noted that TCPO had estimated the cost of providing water supply for cities in 'A Spl.' class at Rs. 65 per capita. Allowing for the increase in costs since 1958 this may now come to about Rs 200 per head. A World Bank Paper on Urbanization, however, estimates the cost of water supply at 100 dollars per capita or about Rs. 800 per head.

Other estimates given by the World Bank are :

Housing—\$ 1,000 per family.

Pr. Education—\$ 90 per head.

Employment—\$ 400-1,000 per head.

If the TCPO can publish the details of the calculation of the standards recommended by it, it would give a great fillip to research in this vital subject on which there has been very little work done in India so far. Two other studies which may be mentioned in this connection are :

- (i) the study of New Town by Ved Prakash, and
- (ii) the study of medium and small towns commissioned by the Government of India.

Both the approaches, the micro-empirical approach which has not been tried so far and the macro-approach which is inadequate without further detailed work at the State level, are not of much use for the purpose of planning and budgeting as our Five Year Plans are not based on the total requirements of our cities, but on the allocation of funds for some selected functions or schemes such as water supply, drainage or preparation of town development plans and housing. Recently, therefore, in Maharashtra

we adopted a sectoral approach and worked out the requirements for four important functions, viz., water supply, drainage, implementation of town development plans, slum improvement and conversion of latrines. The estimates so worked out and the corresponding Plan allocations are given in Annexure III.

It is necessary to make a few points about this study in Maharashtra. Firstly, it does not include the requirements of Bombay, but the Development Plan for Bombay prepared in 1967, estimated the development needs of Greater Bombay at Rs. 700 crores. Allowing for the increase in prices since then, this figure should now come to Rs. 1,500 crores. Secondly, it does not include the requirement of housing. According to the 1971 Census, there was a shortage of about Rs. 5.22 lakh worth of tenements in urban areas in Maharashtra. Assuming an increase of at least 50 per cent in this figure and assuming further a cost of Rs. 10,000 per tenement, the total requirement for housing for urban areas in Maharashtra would be about Rs. 750 crores.

#### PROBLEM OF HOUSING

Housing is in fact the bug-bear of all urban development. As pointed out by J.B. D'Souza in a recent article in the *Times of India*, we need at least Rs. 14,000 crores to wipe out all the deficit of urban housing at the end of the Fifth Plan and that at the current rate of house-building, it will take 100 years to house all the present squatter population in Calcutta—leave alone the future growth. Nearly 30 per cent of the population of Bombay lives in hutments and according to an urban futurologist, the proportion will be about 70 by the turn of the century. In most of our large cities with population above 1 lakh, about 20-25 per cent of the population lives in hutments. Our planners seem to have given up all hopes of adequate housing for all the urban population and have more or less accepted the permanent existence of slums, the ignominy and squalour of which can be reduced to some extent by slum-improvement and sites and services programmes.

Another scheme which deserves mention in this connection is the Maharashtra scheme for the renovation of old buildings in Bombay City, an idea which, as far as I am aware, has not been tried anywhere else. The Bombay Building Repair and Reconstruction Board has so far renovated about 3,000 old dilapidated buildings in Bombay and another 2,000 are under repairs. Besides, about 80 buildings are being reconstructed. The financial outlay of the Board used to be of the order of Rs. 7 crores per annum out of which about Rs. 4 crores came from a cess on old buildings supplemented by a contribution of Rs. 1.5 crores each by the State Government and the Bombay Municipal Corporation. For the last 2 years the Board has also been raising loans and its outlay has been increased to Rs. 12-13 crores per annum. The scheme is an excellent

example of innovation in urban development.

#### INADEQUACY OF PLAN ALLOCATIONS

The Maharashtra Study, inadequate as it is, indicates the magnitude of the funds required for urban development and the inadequacy of the present allocation of funds. If we multiply the figures for Maharashtra ten times, we get some idea of the total amount required for the whole country. This would be round about Rs. 35,000 crores. As against this requirement, the Fifth Plan (Final Document) makes the following allocations for Urban Development, Housing, and Water Supply :

	<i>State Sector</i> <i>Crores</i>	<i>Central Sector</i> <i>Crores</i>	<i>Total</i> <i>Crores</i>
(i) Urban Development	Rs. 351	Rs. 155	Rs. 506
(ii) Housing	Rs. 506	Rs. 95	Rs. 601
(iii) Water Supply and Sanitation	—	—	Rs. 539

In view of the other urgent needs of the country in the fields of agriculture, irrigation, power and industries, it is unrealistic to expect larger allocations for urban development including housing and we have to look to other sources.

The other sources of funds for urban development are :

- (i) Financial Institutions like the LIC and banks ;
- (ii) International Agencies; and
- (iii) Municipal Resources.

#### INSTITUTIONAL FINANCE

As for institutional funds, the LIC has during last two years provided funds of the order of Rs. 40 crores per annum for water supply and drainage; out of this a little more than 50 per cent is for urban areas. There are also severe limitations on the allocation of funds by the LIC for urban development. Further, the LIC loans taken by the State Governments are regarded as part of Plan allocations and, therefore, cannot make any substantial addition to the funds for urban development provided in the Plans. HUDCO has been given a total allocation of only Rs. 14 crores in the Fifth Plan which is obviously very inadequate.

Recently it has been suggested that the States should establish Urban Development Corporations to tap other sources of funds including :

- (i) the idle funds with the local bodies, and
- (ii) funds from other institutions like Cooperative and Commercial Banks

Such a Corporation has been established only in one State, viz., Kerala and it has been financing only commercial projects to the extent of about

Rs. 1 to 2 crores per annum. It has been suggested that these Urban Development Corporations would be able to tap idle funds which municipalities often keep as sinking funds for loans, depreciation funds, etc. A recent study in Maharashtra, where the municipalities are comparatively much better off than in other States, indicated that an Urban Development Corporation, if established, will not be able to get more than Rs. 2 to 3 crores from such idle funds.

As for the commercial and cooperative banks, owing to the steep increase in the lending rates during the last few years, bank finance at rates of interest round about 15-18 per cent is uneconomic. At the most we may be able to finance some commercial schemes like markets, shopping centres and probably land development schemes. A suggestion worth consideration in this respect is for the State Governments to subsidize the difference between the rates of interest of commercial banks and its own rate of borrowing which is round about 6-7 per cent. It would provide adequate capital funds at reasonable rate for the Development Authority and a comparatively low liability for the State Government.

Recently the commercial banks have agreed to finance housing schemes at concessional rates which are as follows :

- (i) 4 per cent for scheduled castes and scheduled tribes, and
- (ii) 10 per cent for slum renovation schemes.

The banks had also allocated certain sums (about Rs. 15 crores for Maharashtra) for this purpose. We may hope that more Bank funds at concessional rates will be earmarked for urban development in future.

There should likewise be compulsion on urban cooperative banks to earmark some portion of their funds for urban development. At present practically all the funds the urban cooperative banks, which are quite substantial, are being diverted to rural areas.

#### INTERNATIONAL ASSISTANCE

As regards international assistance, as the World Bank Paper on Urbanization (1972) admits, international agencies have been rather slow in focussing attention on the needs of the developing countries in dealing with problems of urbanization, partly due to lack of understanding of the gravity of the conditions and partly due to failure to see urban development as a part of national development. During the sixties, the average expenditure of the various U.N. Agencies for urban development was about \$ 350 million.

A large number of these bodies such as the European Economic Community (EEC), the Organization of American States (OAS), the International Development Bank (IDB), the African Development Bank (ADB), the Caisse Central de Cooperation Economique (CCCE) are meant for regions of which India is not a part and even the Agency for International

Development (AID) has been cool towards India. The main sources open to us are :

- (i) the regular budget of the United Nations and certain Special Funds like UNDP, and
- (ii) the World Bank.

The average expenditure of the agencies in the first category during 1966-69 was \$ 11.4 m. per annum which was very paltry. The IDA and the World Bank had spent by 1972 about \$ 13 billion for urban-oriented projects in developing countries of which nearly 50 per cent was spent on inter-urban transport and telecommunications. It is only recently that these two agencies have turned more attention to water supply, sanitation and other basic environmental requirements and even to problems of production. Recently they have shown interest in multi-sectoral project which would also include means of production for the urban poor.

No figures are available for India's share in this spending but it cannot be very large. Further, international assistance is usually available for large projects involving expenditure of at least Rs. 20-25 crores. It is so far restricted to major cities and its function is essentially catalytic, and to fill up certain vital deficiencies in the national programmes. One does have a feeling, however, that at the State level, where most of the urban development programmes are handled, there is not sufficient consciousness of these sources of international assistance, much less of the modalities of securing assistance. Often half-baked and ill-conceived projects are placed before the World Bank experts that visit the country from time to time. There is, therefore, need for a more purposive and well-directed effort to secure World Bank assistance.

#### NEED FOR LOCAL RESOURCES

All institutional finance whether from the World Bank or the LIC or local commercial banks, is in the form of loans which have to be paid for. Therefore, while these loans can solve the problems of capital funds, they have to be backed by adequate repaying capacity. In the case of commercial or profit generating schemes, the loans can be repaid from the proceeds of such schemes; but a large proportion of our urban development schemes are non-profit-making and some of them like housing for the economically weaker sections or even some of the water supply and drainage schemes have to be run at a loss. These have to be paid from revenue raised from other sources. In the case of organizations like the Delhi Development Authority or the CIDCO we have cross subsidy from other remunerative schemes but as stated earlier, such organizations are set up only for certain selected areas and for specific functions. For urban development in general we have to fall back on locally raised municipal revenues, and so we come back to the question of municipal finance.



As stated above, the Zakaria Committee had estimated a gap of Rs. 91 crores between the annual financial needs and resources of municipalities in the whole country. This is a gap which is not very difficult to fill with some financial assistance from the State Government and a better exploitation of the tax resources of municipalities. The Maharashtra Study referred to above in Chapter IV indicated that according to the standards indicated by the Zakaria Committee, municipalities other than Corporations need at least another Rs. 10 to 12 crores of additional revenue income according to the norms laid down by the Zakaria Committee. About Rs. 2 to 3 crores can come from assigning a share of the taxes on motor vehicles and Rs. 1 to 2 crores from certain additional cesses on State duties like stamp duty or electricity duty. The rest will have to come from better exploitation of the existing tax resources. It is an admitted fact that municipalities do not exploit their resources adequately and are reluctant to levy taxes and much more to collect them.

#### MUNICIPAL RESOURCES

An excellent example of a tax resource neglected by the municipalities in Maharashtra is provided by the Profession Tax. This is traditionally regarded as a tax meant for municipalities and yet there were not even half a dozen municipalities in Maharashtra exploiting this tax. Government therefore, decided to take over this from the municipalities and exploit it for its Employment Guarantee Scheme (EGS) and it is able to realize nearly Rs. 17 crores per annum from this tax.

The most important universal source of revenue for the municipalities is the property tax. At one time it was regarded as the principal source of revenue of municipalities, but today it has yielded this honour to octroi for two reasons :

- (i) Under-assessment of properties, and
- (ii) The limitations of the Rent Act.

Under-assessment is a common evil in most municipalities. Experience has shown that whenever a municipality is superseded and an Administrator takes up the revision of the assessment list, the assessment goes up by 50 to 100 per cent revealing the extent of under-assessment of properties by municipalities. The only remedy for this under-assessment is to create a State cadre of Tax Officers and to leave assessment and collection of taxes to a Tax Department manned by officers of the cadre. In particular it is necessary to take away from the councillors the power to fix assessment or to hear appeals against assessment.

But even if we are able to improve the tax assessment and collection machinery, there will be a severe limitation arising from the effect of the Rent Act which in many States has pegged rents to pre-war levels. This has been a very severe handicap to municipal finances. As the Municipal

Finances Commission of Maharashtra pointed out, the tax per square foot in the case of some of the luxury flats on the Marine Drive in Bombay is less than the tax on low-income-group housing built by the Housing Board. It is true that a sudden increase in the rents of old premises to the level of rents of similar new premises prevailing today, would have a disastrous effect, especially on the poorer sections of community. But it should be possible gradually to increase the municipal taxes on the old properties without increasing rents by delinking municipal valuation from standard rent under the Rent Acts. Further, in the case of commercial properties even the rents can be increased by 100 to 200 per cent without any detriment or without any disastrous effect on the tenants.

Another idea which is worth consideration in this respect is to delink municipal taxation not only from the standard rent under the Rent Act but from rent itself and to assess Municipal taxes on the basis of the area of the property, the locality and the user. This also will lead to a very steep increase in the taxes of old properties and will have to be done gradually over a period of years. The idea of a 'site tax' instead of property tax as in Australia is also worth studying.

An important source of municipal revenue in some of the States is Octroi. In Maharashtra it provides about 50 per cent of the Municipal revenues in the case of smaller municipalities and even some of the Corporations. In the case of the Bombay Municipal Corporation it provides about 40 per cent of its annual revenue and is gradually overtaking property tax. This is despite severe leakages in the collection of this tax. Octroi is at present under attack as an obnoxious tax and several proposals are being considered to replace it by alternative sources of revenue such as a cess on the State Sales Tax, a tax on commercial motor vehicles or a Multi-point turn-over tax. If any of these alternative sources of revenue can provide an equally fruitful source of revenue for the municipalities, there would be no objection to the abolition of octroi. This alternative source should satisfy three characteristics :

1. It should provide at least as much revenue as the municipalities are deriving today;
2. Like Octroi it should have a good growth rate of about 10-15 per cent every year ; and
3. The scope for corruption and leakages should be limited.

In the context of the demand for the abolition of octroi, it is necessary to note that in Bengal which did not levy octroi, the state Government had to resort to it to finance the schemes of the Calcutta Metropolitan Development Authority.

Government grants and assignments of revenue constitute an important source of revenue, constituting in some cases as much as 25 per cent of

the total revenue of the Municipality. If used judiciously, they can provide an excellent lever to make municipal finance development oriented. Unfortunately, except probably in Gujarat, this problem has not received the systematic attention that it should. In Maharashtra, for example, out of about Rs. 16 crores paid to Municipalities as grants in 1976-77, only Rs. 3 crores were for development purposes while Rs. 13 crores were non-development grants out of which Rs. 9.5 crores were on account of dearness allowance expenditure. Such grants only encourage the Municipalities to become extravagant in the matter of establishment and other non-essential expenditure.

#### COMMERCIAL SCHEMES

It is also time our municipalities (especially the larger ones) took up commercial schemes like markets, shopping centres and land development schemes. The New Delhi Municipality provides an excellent example of successful commercial ventures run by municipalities.

#### LAND DEVELOPMENT

As for land development schemes, through these schemes municipalities can exploit the profits in urban land which has been appreciating at a very fast rate. So far, however, only certain special authorities like the Delhi Development Authority and some of the Improvement Trusts have been able to undertake such schemes successfully and recover the profits which elsewhere are pocketed by private racketeers leaving it to the municipalities to provide all the civic amenities. Such authorities have, however, been established for a few selected major cities, most of which are also now covered by the Urban Land (Ceiling & Regulations) Act, 1976, but the majority of our urban areas are exempt from this Act; nor are there any Authorities to exploit profits from land. Municipalities have so far been unable to exploit this source for two reasons :

- (i) the lack of experience and expertise, and
- (ii) more importantly because of local pressure which makes it difficult for municipalities to acquire compulsorily land of local people.

Maharashtra has, therefore, now enacted legislation for a State-wide Housing and Area Development Authority which will take housing and land development schemes all over the State. The Authority, if successful, would be able to raise substantial resources for urban development.

#### MANAGEMENT OF URBAN FINANCE

The management and proper utilization of finance is as important as raising finance. Unfortunately our urban local authorities are very sadly deficient in this respect. They are made up almost entirely of local politicians and are epitomes of incompetence, corruption, nepotism and waste. Some of them spend as much as 60-70 per cent of their revenues on staff

which is quantitatively excessive and qualitatively poor. It is time Government gave serious attention to the problem of reorganizing municipal administration introducing in them some element of professional and technical experts and administrators and leaving the local politicians in a minority. All the principal posts in these local bodies should be manned by officers from State Cadres. These bodies should be further required to earmark a certain portion of their revenue for development.

Some years ago as a result of the recommendations of the Balwantrai Mehta Committee, many State Governments reorganized the old District Local Board with budgets of a few lakhs into the present day Zila Parishads which in some States have annual budgets of Rs. 5-10 crores per annum. They are regarded more or less as agents of the State Governments in development work rather than separate entities, with much tighter control from the State Governments. A thorough assessment of the role of Municipalities, their capability to handle problems of urban development and, if necessary, radical reorganisation of their structure and administration, as in the case of the District Local Boards, is overdue.

#### NEED TO STOP INFLUX INTO URBAN AREAS

Finally, it should be noted that urban development in our present stage of economic development is essentially a holding or curative operation. A city or town is like an emergency hospital or a refugee camp which has to receive ever increasing hordes from rural areas or from small towns. Unless steps are taken to check or at least reduce these hordes, no amount of money will suffice for urban development. In this context the Employment Guarantee Scheme for rural areas introduced by the Maharashtra Government is worth a study. An amount of Rs. 50 crores is raised every year by special taxes to take up development work like percolation tanks and bandharas in rural areas on which the rural people are guaranteed jobs. This has, to some extent, reduced the inflow of people into urban areas besides creating useful works in rural areas. The scheme is worth being emulated all over India. It is also time the Maharashtra Government thinks of spending these funds on the development of cottage industries and other ancillary occupations in rural areas instead of taking only agricultural works.

#### SUMMARY

To summarize

1. The percentage of urban population in India is not very high but it has created serious problems because of :

- (i) the absolute numbers of urban population, and
- (ii) the short space of time over which urbanization is taking place.

2. The basic needs of an urban man are :

- (a) means of livelihood,

- (b) housing,
- (c) clean environment including water supply and drainage,
- (d) good communications, and
- (e) social amenities like school, colleges, hospital, etc.

3. The extent to which conscious efforts are made to supply these requirements is in reverse order of these priorities.

4. The most important of these needs are supplied by municipalities and, therefore, financing urban development is closely linked with the finances of municipalities.

5. There is very little work done for the scientific assessment of finances required for urban development.

6. There are three ways of estimating these needs :

- (i) A micro-empirical estimation of the requirement of each urban area and to add up all such estimates. With a few exceptions we have no city-wise comprehensive plans showing the financial needs of development but it is time we prepare such plans and take them into account in preparing Five Year Plans and in the allocation of funds by the Finance Commission.
- (ii) The Zakaria Committee made the only attempt so far to give a precise formula to estimate the finances required for urban development but the exact basis on which this formula was worked out is not clear. The State Finance Commission have failed to do the further follow-up work in the light of the way shown by the Zakaria Committee.
- (iii) A third way is to take each function and estimate the financial requirement for it.

7. An attempt on the lines of alternative (iii) above shows the inadequacy of the present Plan allocations for urban development but any substantial increase is unlikely in the near future due to more vital needs of other sectors like agriculture and industry.

8. Prospects of getting larger funds from the LIC and other institutions are rather bleak.

9. Though Urban Development Corporation would be useful, they would also have problems of securing funds. They can use some of the funds lying idle with Municipalities.

10. Such Corporations and even the Municipalities can take loans from commercial bank if the difference between their interest rates and the usual borrowing rate of Government is subsidized by Government.

11. On the lines of the recent scheme for housing commercial and cooperative banks should be compelled to earmark a portion of their funds to be lent for urban development at concessional rates.

12. International assistance, though useful for specific large projects,

cannot fill the resources gap. The function of this assistance is essentially catalytic. There is need, however, to create awareness among Government agencies of the possibilities of getting international assistance and the modalities of securing such assistance.

13. All institutional finance is in the form of loans and should be backed by adequate capacity to repay the loans by our local bodies.

14. As municipalities are reluctant to levy taxes and collect them, it is necessary to create State cadres of Tax Officers and entrust assessment and tax recovery to them.

15. Efforts should be made to delink property taxes from standard rent and if possible, even from rent, and base them on the area, the location and use of premises.

16. Octroi should not be abolished without an alternative source which will give the same return and the same growth rate as octroi.

17. Municipalities should now start exploiting commercial schemes like markets, shopping centres and land development schemes.

18. Profits from the sale of land form an excellent source of urban finance. If municipalities are unable to exploit this source, the Maharashtra experiment of a Statewide Area Development Authority should be tried in other States.

19. Management of finance is as important as raising finance and for this purpose it is necessary to reorganise the municipal structure freeing them from the hold of local politicians. Municipalities should be required to earmark a portion of their revenues for development.

20. It is necessary to control the influx of people from rural areas into urban areas by creating job opportunities in rural areas.

## ANNEXURE I

TABLE SHOWING ESTIMATED PER CAPITA ANNUAL RECURRING EXPENDITURE ON VARIOUS MUNICIPAL SERVICES FOR DIFFERENT STANDARDS OF DEVELOPMENT

(Amount in Rupees)

Sl. No.	Major Head of Service	Special A	Class A	Class B	Class C	Class D	Class E
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Water Supply (Treatment, Storage and Distribution)	10.80	10.20	9.80	8.64	7.56	7.42
2.	Sewerage and Sewage Disposal and Storm Water Drainage	12.20	11.90	10.80	9.30	8.70	8.20
3.	Construction of Roads and Paths	2.50	2.20	1.80	1.35	1.20	1.10
4.	Street Lighting and Electric Distribution	3.00	2.85	2.50	2.30	2.15	2.00
5.	Education	6.00	5.00	4.00	3.00	2.00	1.00
6.	Medical & Health Services	3.00	2.00	1.00	0.75	0.50	0.25
7.	Fire Service	0.50	0.40	0.30	0.20	0.10	0.05
8.	Horticultural Operations	0.50	0.38	0.20	0.08	0.06	0.05
9.	General Municipal Admn. (includes General Admn; Tax Admn; Pounds; Debt Services for purposes not accounted for elsewhere and miscellaneous)	5.00	4.00	3.00	2.00	2.00	1.00
All Services		43.50	39.03	33.40	27.62	24.27	21.07

Special A = Population above 20 lakhs.

A = Cities with a population of 5 to 20 lakhs.

B = Cities with a population of 1 to 5 lakhs.

C = Towns with a population of 50,000 to 1 lakh.

D = Towns with a population of 20,000 to 50,000.

E = Small towns with a population below 20,000.

ANNEXURE II  
TABLE SHOWING PER CAPITA COST OF PROVISION  
OF VARIOUS SERVICES FOR LEVELS OF  
URBAN DEVELOPMENT

Sl. No.	Major Heads of Development	Cost per capita					
		Class A (Spl.)	Class A	Class B	Class C	Class D	Class E
1.	Water Supply (excluding head works, treatment plants, etc.)	65.00	47.00	39.00	30.00	22.00	18.00
2.	Sewerage (including sewage disposal)	75.00	65.00	55.00	45.00	34.00	28.00
3.	Construction of Roads and Paths	81.00	70.00	41.00	29.00	21.00	16.00
4.	Construction of Storm Water Drains	41.00	29.00	26.00	22.00	20.00	17.00
5.	Provision of Street Lighting	30.00	25.00	22.00	20.00	19.00	14.50
6.	Horticultural Operations	15.00	13.00	10.00	7.00	5.00	2.50
Total		307.00	249.00	193.00	153.00	121.00	96.00

ANNEXURE III  
ESTIMATES OF FUNDS REQUIRED FOR CERTAIN  
URBAN NEEDS IN MAHARASHTRA (Rs. in crores)

	Municipal Corporations except Bombay	Municipalities	Total	Plan Allotment
Water Supply & Drainage	98	218	316	43.0
Town Planning and Development	111	127	438	3.5
Conversion of Dry Latrines	2	5	7	1.0
Slum Improvement	—	—	20	13.7
			781	61.2
Greater Bombay Housing			2000 750	50



# GOALS FOR URBAN PLANNING WITH REFERENCE TO PROGRAMME

ARTHUR T. ROW

Several years ago when I was wrestling with the preparation of the comprehensive plan for Philadelphia in the United States I was first confronted with the question of goals. The question arose, not in the internal planning process, but when a graduate student, preparing his doctoral dissertation, placed a tape recorder before me and asked me to set forth our planning goals. I considered it a frivolous question. Our goals are self-evident I said: better transport, better housing, more useful open space, more employment, lubrication of the difficult problems of the city adjusting itself to changed circumstances, all these and more were what we were driving at—and these were self-evident.

Some time earlier, when a pilot plan, the antecedent of the comprehensive plan, was presented to a group of planners, Prof. Charles Haar asked me who our client was. I was indignant. The public I replied was our client.

I have always been uneasy when confronted with the question of goals—much as most of us are uneasy when confronted with questions of basic principle.

Yet I could perceive importance of goals in an operational situation. Prior to the Philadelphia exercise I was associated with Dr. J. Douglas Carroll in the preparation of a metropolitan highway plan for the Detroit Metropolitan Area. This was a highly rigorous exercise in which for the first time the role of land use and household size and household income were quantified in terms of traffic generation. With projection of land use, traffic requirements in volume, in direction and in trip length could be estimated. We never considered goals. The plan for an effective expressway system was our task.

Yet I realized some time later, and still dimly, that our masterly presentation could simply overwhelm the lay audience. How was the technocrat, armed with IBM printouts and isoline maps to be challenged? Only, I realized by being forced to verbalize his goals.

In 1961 the first goal oriented plan in the United States, the plan for the Washington National Capital Region was published. It was a

disappointment, for the goals were so general that they did not really come to grips with the issues of the metropolis and its citizens. Let me quote them :

1. A broad range of choice among satisfying living environments.
2. A broad range of employment opportunities.
3. An ample range of opportunities for participation in the decisions that shape the development of the region.
4. Efficiency in the use of the land.
5. Efficiency in the transportation of people and goods within the metropolitan area.
6. A healthful urban environment.
7. An environment which is visually satisfying, and which combines harmoniously the best contemporary expressions with those of a rich and valuable heritage.
8. A living environment which affords a clear sense of place in all sections of the metropolis.<sup>1</sup>

Understanding the need for goals statements, I was still uncomfortable with the foregoing attempt. It was only when I came to see that goals to be meaningful, and translatable into programme, should be conceived and stated in terms of a particular clientele. Haar's question finally fell into place.

For years we made plans that were "in the public interest". But which public? Obviously there are several publics. Each one is a potential client. Only when we have identified a public, a client, can goals begin to approach specificity. And let me now shed the term goal, with which I am still uncomfortable, for the more modest word 'objective'. For objective is both a more modest word and connotes the greater degree of specificity which I think is needed.

And let me transfer these lessons which I have been so slow to learn, to the Indian scene.

A primary requisite of planning is that it looks current reality and future probability in the eye. Perceptions of the present and visions of the future should be unclouded by illusion or delusion.

What is the current urban reality and, at least for the foreseeable future, the probability ?

The current reality is that most urban citizens are poor. In my judgment the probability is that the poor will increase as a proportion of total population in urban areas. If the urban economic machine were capable of absorbing the in-migrants by providing job opportunities, then

<sup>1</sup>A Policies Plan for the Year 2000, *The Nation's Capital*, the National Capital Planning Commission, National Capital Regional Planning Council, 1961, p. 28. I have committed the sub-paragraphs under each goal statement.

the future probability I foresee would be wrong. But there is little evidence to support such a more optimistic view.

If the poor represent half of the current urban population, then they constitute in sheer quantity a primary client.

We may then set down a series of objectives for this clientele.

1. We must increase urban job opportunities and help the poor avail themselves of such opportunities.
2. We must undertake to provide the poor with a minimum acceptable living environment.
3. We must provide a set of social services that are available to and tailored for the poor.
4. We must help the poor understand the power of their voice in the democratic process.

These objectives are still very general. But even at their level of generality they set planning and programming tasks that do not appear in most Indian urban plans.

The first objective recognizes the primary role of employment. But employment is not something that is conjured up nor something that happens if X acres are reserved for industry. Nor something a local government can significantly influence. Planning and programming must proceed on several fronts simultaneously, *e.g.*,

- one of the criteria for industrial location decision at state and national levels must be the relative unemployment among different urban areas,
- new migrants and the untrained urbanites already in place must be made employable through training programmes,
- the programme must include an element of entrepreneurship, a potential for self-employment,
- the informal sector must be better organized to deal and bargain with the formal sector, etc.

Plans and programmes for increasing employment must take first place on any priority list.

But the poor to a large degree live in bustees, or jhuggi jhonparis, or chawls. Even when employed (and unemployment is, according to one Calcutta survey, no higher among bustee dwellers than in the city as a whole) their living conditions are simply unacceptable. Therefore the second objective, providing a minimum living environment.

*Examples :*

1. A continuous supply of potable water.

2. A system of sanitary latrines.
3. A drainage system.
4. Paved and lighted lanes.
5. A modest amount of open space.

This is not as simple as it sounds. Some hut slums were laid out many years ago for industrial workers, as in Calcutta and Ahmedabad, but because the poor had no voice in the city, public services were not provided. Yet the layout is often basically satisfactory. Laying of drainage, provision of water, paving of lanes can make a major difference in living conditions.

But where the hut slum is a recent squatter colony, as in Bombay and Poona, and parts of Ahmedabad, for example, the 'solution' is not so easy. Perhaps lanes of adequate width have to be carved out, and water and sewer lines laid therein. In other circumstances perhaps the slum dwellers have to be removed to a new location where sites and services are provided. But this is not easy either because most available vacant land is on the urban fringe from where transport costs to jobs are high.

The point of this is that the problems are varied and complicated. A simply conceived bustee improvement programme will not work everywhere. Given an objective, the means or method for achieving it must be specifically worked out for each category of slum.

The third objective I have noted is to make a set of social services available. But these have to be specified in terms of this particular clientele. For Example :

- health services available through clinics easily accessible in the neighbourhood.
- health services that emphasize health education and preventive medicine, and
- health services that help people to use the system, etc.

And the same can be said of education. Not just "free compulsory education for all children through age 14," but, more specifically :

- work related education,
- education that is sensitive to family needs for children's time,
- education that has external incentives, food and clothing, for example, and
- adult education that is built on substantive adult needs, literacy in a job potential context, for example, etc.

And under this third objective is encouragement of programmes generated and executed by the people themselves.

These kinds of specific objectives one does not see in urban plans in India. Probably the Basic Development Plan for Calcutta and CIDCO's by plan for New Bombay come closest—at least they reflect a reasonably detached look at the current reality and future probability and their objectives (a term deliberately used by both agencies) approach specificity.

But in neither case are the poor singled out as a clientele and in neither case are objectives therefore framed in terms of the needs of that clientele.

But I hear a small voice saying that most of us are physical planners and only a small part of what I have been saying involves physical planning. To which small voice I reply?

First, urban planning requires the capacity to use all the strings on the sitar—economic, social, political, physical. In a given situation for a given clientele the mix will be different—the harmony to continue the figure of speech. It is the positive interaction of the several aspects of planning that is required. That is what integrated planning is all about.

Second, even if we do restrict ourselves to physical planning, I think we must recognize that most plans do not respond to the needs of the poor. In fact, in many cases the physical plans are biased against the poor.

For example, with the exception of the Plan for New Bombay, traffic and transportation plans and programmes give priority to the automobile. Public surface transit gets no priority, and pedestrians, rickshaws and handcarts are relegated to what street space remains. Sometimes we delude ourselves that we give first priority to public transit. But if that is the case why do we not ban private automobiles in central Calcutta and Bombay in the peak hours? In the melee of the peak hours, whom do we ban? We ban the handcart and the rickshaw. Do we ever widen footpaths and reduce cartways? No, we widen cartways and reduce footpaths or green strips. It is true that an underground rapid transit is under construction in Calcutta now, but whom it serves we shall see later in this paper.

No, I think even our physical plans are made for a middle and upper class clientele, a clientele which, in my judgement, is decreasing and will continue to decrease as a proportion of urban population.

In terms of the poor, there is one further point. Even if they were not numerically dominant in the urban situation, they represent a clientele to whom public planning should respond for the following reasons. Even in this socialist and planned economy, at the local level most conflicts are resolved in the market place. And in the market place the cards, by definition, are stacked in favour of the economically strong. When conflict cannot be resolved in the market place, or such a resolution is manifestly unfair, we resort to public intervention. Even then, political power, more often than not, lies with the economically stronger segments of society.

The poor then, by several measures, represent our primary clientele. Objectives in their interest must be sufficiently specific, and plans and programmes devised to attain such objectives must be sufficiently specific, so that we can evaluate them objectively. For the state of the municipal fisc and those that supplement it are so exiguous that we cannot afford to permit ineffective programmes to continue.

But the poor are not our only clients. If they were, employment possibilities aside, the identification of objective and the definition of programme would not be particularly difficult.

An important clientele are those (lower?) middle class who have reasonably secure employment but whose incomes are only a few notches above the poverty line. These people, in any economy anywhere, ought to be able to live a reasonably tolerable life. Do they? In a tight and inadequate housing market their housing choices are severely circumscribed. They scramble in an overcrowded education (non) system for places for their children. Their health services are disjointed. They have an insufficient water supply. They live with a generally unhygienic and inadequate drainage system. For many the journey to work is harder work than work itself.

These are important clients. Without them the economic machine would not run. Yet we do not provide adequately for them.

In 1971, Messrs. Kingsley and Kristof, using materials and ideas generated over the years in CMPO, put together a housing programme for metropolitan Calcutta. What did they say?

Among several characteristics of the metropolitan housing market they noted.

*At current incomes only a very small minority of CMD households can afford the economic rent for new pucca housing as offered in today's market. It is estimated that the lowest 46 per cent of all CMD multi-member households can afford to pay no more than Rs. 30 per month for housing and the next 33 per cent can afford no more than Rs. 75. Only the top 7½ per cent can afford a monthly housing payment of more than Rs. 150. Yet the economic rent of almost all new pucca housing produced recently is greater than Rs. 159.<sup>2</sup>*

Why is that? What kind of economy is it that does not provide a continuously employed worker with sufficient wherewithal to pay for decent housing?

The answer to such a question is long and involved—shared or redundant employment—the larger labour force compared to the smaller

<sup>2</sup>G. Thomas Kingsley and Frank S. Kristof, *A Housing Policy for Metropolitan Calcutta*, March 1971 (Mimeo.), pp.1-2.

number of jobs—the institutional structure of an economy inherited from a colonial era, etc.

These are fundamental questions of economics which I am not qualified to answer. Yet I think they are the fundamental questions in urban development. For urban development is neither an end itself nor an evil to be avoided. Urban development is one of the means of national development. One important way of looking at cities is to define their role(s) on the national development trajectory. But that is the subject of a separate paper.

In this paper let us simply note that a large proportion of our reasonably securely employed people live in highly constrained and largely unacceptable circumstances. Our concern at their level of existence is not simply humanitarian and empathetic. We are also concerned that these members of society who make the economic machine run should live in circumstances that enhance, rather than depress, their capacity for productivity.

Let us, therefore, suggest the following objectives for this important clientele:

1. An adequate stock of modest but acceptable housing.
2. An acceptable journey to work.
3. An assured supply of potable water.
4. Adequate sanitary drainage and waste disposal.
5. Education for children through the secondary level.
6. Preventive as well as curative medical and dental care.
7. Opportunity for cultural satisfaction and advancement.
8. Opportunity for sports and recreation.
9. Mobility—socially and spatially.

These are unexceptionable objectives. It is putting them in programmatic terms that is difficult.

One such attempt is the Housing Programme Proposed for Metropolitan Calcutta by Kingsley and Kristof. They note:

*The Calcutta Metropolitan Development authority should take the lead in establishing a Large-Scale Housing Production Program during the Fourth Plan period. The major emphasis in this program should be on the provision of hire-purchase housing on a low-subsidy basis for middle and lower middle income groups.*

It was observed that there exists a potential effective demand for new housing that currently is not being met. The low level of housing output in the past decade relative to the existence of a reasonable ability to pay for housing among many families indicates that some relatively minor

adjustments could achieve large changes in new production. That is, if government can overcome some of the supply barriers noted earlier and thereby reduce the monthly payment required of the consumer, large numbers of families can be housed with only a modest infusion of public resources. A key incentive for this approach is the provision of an opportunity for families to purchase their own home.

The desire for home ownership is great among CMD families, many of whom pay less than they could afford for rental accommodations. The techniques required include :

- (a) Institute cost savings in housing production by several means : Reduce space standards in relation to those now typical for pucca construction in the CMD. Use more economic forms of housing (such as the row house) and simplify unit plans. Maximize the use of plentifully available local construction materials in combination with modern methods of industrialized house production. Take advantage of economies of scale possible through large-scale production.
- (b) Take advantage of economies of scale in land development as well. Also use densities averaging 60 units per net acre for new residential areas—higher than the densities proposed under many current government schemes, but still capable of providing a quite suitable living environment. Utilize more efficient site planning to reduce the amount of non-saleable land in new developments.
- (c) Ensure a flow of mortgage funds from the Life Insurance Corporation and the Central Housing and Urban Development Finance Corporation at much more reasonable terms than are available in the current market, as is consistent with the intentions behind CMD Fourth Plan allocations.
- (d) In high cost locations only, provide a small subsidy to reduce interest rate from 8 per cent for LIC loans or the  $7\frac{1}{2}$  per cent for Centre guaranteed State loans down to  $5\frac{3}{4}$  per cent.
- (e) Again, in high land cost locations only, cut the price of publicly developed housing sites, not by outright subsidy, but by a long-term deferred interest loan.
- (f) Use aggressive marketing efforts to disseminate information about the availability of mortgage loans to eligible families, build model houses in new areas, and generally increase publicity about the programme.

The major purpose behind the hire-purchase programme is not simply to provide more satisfactorily for middle income groups. It also is the most efficient way (in terms of resource use) to significantly increase the quantity of housing production *per se*. As middle and lower middle income



families move into a new home provided by this programme they will leave behind vacant housing units which can then be filled by other families, probably of lower incomes. The vacancies created by the moves of these families are in turn filled by yet other families. By this process, through a chain of turnover, many families including the poor are given the opportunity to improve their housing conditions<sup>3</sup>.

Another is the excellent statement in the Plan for New Bombay :

It is further desired that every family living in New Bombay shall have a dwelling of its own, however small, and if pucca construction is not possible, then made of temporary materials. Apart from ensuring that each family shall have access to a round-the-clock potable water supply, good sanitary facilities, availability of power and access to the city school system as well as to common recreational facilities in the area, an important consideration is that each family shall have sufficient security of tenure on its plot of land and if it cannot afford a pucca dwelling, to encourage it to improve its temporary dwelling to a more and more permanent type of construction.<sup>4</sup>

Just as housing has proved to be an intractable problem in all developing countries, so too, to a lesser degree, has transport. But whereas a house is a house or a flat, difficult indeed to finance, the object is clear — a house. But in transport, transport is a suburban railway, an intra-urban rapid transit, a tramway, a bus, a taxi, an automobile, a rickshaw, a road, etc. In transport let me quote again from the Calcutta and New Bombay Plans :

*Calcutta* — The transportation system is one of the chief instruments available to Government for arresting the deterioration that now threatens the CMD and for guiding growth in the directions desired. Railway, major highways, mass transit facilities, river transport and air transport are major determinants of industrial and residential development. It is essential that vigorous action be taken to create a modern transport system that will provide rapid, safe and economic movement within the metropolis and connect it effectively with its immediate hinterland and the rest of the nation. The advantages of each mode of movement — rail, road, mass transit, river transport and air transport — should be utilised and the modes efficiently integrated<sup>5</sup>

*New Bombay* — The transportation system is crucial in determining the life style of people. Jobs and residence are to be located in close

<sup>3</sup>Kingsley and Kristof, *op. cit.* pp. 1-4

<sup>4</sup>*New Bombay Draft Development Plan*, October 1973, City and Industrial Development Corporation of Maharashtra, Ltd., p. 18.

<sup>5</sup>*Basic Development Plan, Calcutta Metropolitan District 1966-80*, Calcutta Metropolitan Planning Organization, December 25, 1966, p.111.

proximity so that commuting time could be saved and used for creative purposes. The mass rapid transit system and the area developments are being so designed that walking distances to the transit system do not exceed one kilometre for most users and bus stops are conveniently located.<sup>6</sup>

The difficulty with the Calcutta statement is that it does not identify the several clients for the several modes. But, you may say, that is self-evident. But is it? The Calcutta Rapid Transit System will carry, it is estimated, 1.5 million person trips daily by 1983. Yet those approximately 8,000 people will be paying over a rupee for their rapid transit travel. For many of them there will be the additional costs of bus or tram to the rapid transit station.

At the initially estimated cost of Rs. 140 crores, it was determined that "— a 32 paise per passenger will cover all costs including debt service charges in a purely financial sense."<sup>7</sup> At a 30 paise level the subsidy required will be 1 crore annually.<sup>8</sup> These are not unreasonable figures. But the capital cost estimate has now risen to Rs. 250 crores. On a strictly proportionate raise, the cost per trip would rise to 52 paise. But this is probably low because replacement costs will also rise, and probably maintenance costs as well. Thus may earlier figure of over 1 rupee per person for a two-way trip. Is this reasonable?

The tram and state bus fares average about 13 paise, which means a deficit of 10 paise for buses.<sup>9</sup> If, for illustration, the buses were put on a self-sustaining fare of 23 paise, and if, say, one half of the rapid transit riders had to take a bus to the rapid transit stop, the cost per trip would be 75 paise, or for the daily journey to and from work, Rs. 1.50. If such a person works 20 days a month, then his monthly transport costs would be Rs. 30. At this price who benefits? Or to use our earlier terminology, who are our clients? I suspect that even those clients who are securely employed but at lower wage levels would either be priced out of the rapid transit market or would have to sacrifice something else in their monthly budget.

Let me turn the question into other terms. For each client group there is a set of objectives. Although they are mutually supporting conceptually, they are competitors for scarce capital and operating funds. And this is further complicated by the competition between different client groups.

<sup>6</sup>*New Bombay Draft Development Plan*, *op. cit.*, p. 18.

<sup>7</sup>*Calcutta Mass Transit Study, 1970-71 Dum Dum to Tolly Gunj*, Metropolitan Transit Project (Railways), Calcutta, p. 349.

<sup>8</sup>*Ibid.*, p. 348.

<sup>9</sup>*Ibid.*, p. 343.

Let me suggest that there are three levels of this objective client-programme relationship.

One is the sub-objective within a major objective. An example is investment in rapid transit versus investment in buses and related street improvements. What are the relative costs? What are the benefits? To whom do the benefits accrue? Since benefits accrue to many, how are they distributed?

A second level is intersectorally within a client group. The housing-cum-land-development programme proposed by Kingsley and Kristof for Calcutta amounted to Rs. 28.46 crores for the Fourth Plan period to produce 38,500 dwelling units. Of this Rs.5.86 crores would be subsidy and Rs. 22.60 crores would be loan.<sup>10</sup> For the Fifth Plan let us assume for the sake of illustration, an equal amount, or the production and sale of 77,000 units for Rs. 56.92 crores, say Rs.60 crores, over the period 1972 to 1980. Would the lower middle and middle income population of Calcutta accept a lower cost rapid transit system, or even simply an improved bus system if 77,000 housing units could be produced?

A third level is intersectorally across client groups. Approximately Rs. 15 crores has been spent on the Bustee Improvement Programme, touching the lives of perhaps 1,000,000 people. But the allocation for this year is only about Rs. 1.5 crores. I would assert that the 2.5 million bustee dwellers would prefer an accelerated programme of bustee improvement, investment in health and education, and in employment assistance to an investment in a rapid transit system few of them could afford to ride.

There are other client groups of course. There is the upper middle income group and there are the wealthy.

And there is the economic machine and its several constituent parts, ranging from large scale industry through middle and small scale to the informal sector.

One of the aspects of Indian Planning with which I am most uncomfortable is its restrictive land use control. This should be exercised selectively, not across the board. It should be exercised selectively in social client group terms. An example of the latter is the high rise apartments being built in both Bombay and Calcutta. In Calcutta, which I know better, there should be requirements for setbacks, for automobile parking, even perhaps there should be annual quotas for such building in order to reduce the radically increased pressures on public facilities such as streets, water supply, drainage and power.

But for the most part the upper middle and higher income groups can take care of themselves. They are not clients in the sense I have used earlier in this paper. They are, by virtue of their power in a market place

<sup>10</sup>*Kingsley and Kristof, op. cit.*, Table 20.

economy, strong. Restrictions should be placed on them in their own interest, in the interests of the larger and poorer community and in the interests of the future community.

The economic machine is a different kind of client. Taken together (that is, excluding its separate part for conservation of time and space) it has overarching metropolitan system needs. Objectives can be stated clearly and quantified for support of this client group. And programmes related to such objectives can be devised. Primary among them is power. A close second is transport and communications. These needs will conflict with needs of the poorer human community both in terms of investment and in terms of displacement.

One of the purposes, therefore, of setting forth objectives clearly in client group terms and of devising programmes in such terms is to identify where conflict will occur. For urban planning involves centrally the resolution of conflicts between client groups. And the first step in resolution of conflict is a clear statement of the objectives of each party to the conflict. Where conflict is not apparent in statements of objective it will become clearer when objective is translated into programme terms. And if conflict is not apparent at that stage it will become explicitly clear when resources are allocated in a system where there are simply not enough resources to finance all programmes.

Such conflicts and competitions for resources are commonly resolved, for better or for worse, in the political process. A primary responsibility of the planner is to place these issues before the politician in as clear and unvarnished terms as possible.

The problems are enormously complex. We should not delude ourselves that they are susceptible to easy resolution. One of the purposes of stating objectives as specifically as possible is to provide us with reference points in this complex decision-making situation.

It should be noted of course that all issues of urban development do not array themselves in a competitive and confrontative manner. Everybody gains from a park—unless it displaces the poor—or takes a golf club from the rich—or withdraws land from the housing market. Everybody gains from new and productive employment—unless it pollutes the atmosphere—or requires new services of power, water and transport. Well, most issues do then involve making choices in which some group gains and some group loses — and the elements involved are intricate and complex.

Let me try to pull these disparate threads together in some useful summary form—a set of propositions :

1. Goals are useful primarily when stated in the specific terms of an objective.
2. An objective must relate to the needs of a particular client group.

3. An objective to be useful must be translated into the time-space-cost programme.
4. Programmes can then be tested and evaluated for their effectiveness in meeting the stated objectives of a defined client group. But urban plans do not consist of an accumulation of programmes for various client groups because both funds and urban space are limited : Therefore :
5. Objectives for a client group are frequently in conflict with objectives for another client group.
6. Objectives, therefore, clarify the area of conflict.
7. Objectives also may be in conflict intersectorally *within* a client group.
8. Objectives may be in conflict intersectorally *between* client groups.
9. Such conflicts become more apparent when objective is translated into programme.
10. Such conflicts become most apparent when programme is translated into cost.
11. The urban planner should be clear as to the client group for whom he is defining objectives and framing programmes.
12. Currently and in the foreseeable future, the planner's primary client is the poor.
13. In framing programmes for the poor the planner must utilize economic, social and physical means in mixtures specific to each social and geographic case.
14. Close to this group, the planner must devise objectives and programmes for the securely employed who are inadequately served by public services and facilities.
15. The planner must devise objectives and programmes to advance and lubricate the urban economic machine.
16. Because objectives and programmes for these several client groups are inevitably destined to conflict, either spatially or in competition for scarce public funds, the planner is obligated to state his client, his objective and his programme in as clear terms as possible for more inclusive, informed and rational debate in the political process.

# ECONOMIC GROWTH OF URBAN AREAS : THE CASE OF MEERUT CITY

K.V. SUNDARAM

The city, while being a physical, social or political organism, is an economic organism too. Indeed, the city is predominantly the creation of economic forces. Both Lampard<sup>1</sup> and Stopler<sup>2</sup> suggest that economic growth becomes impossible beyond a certain point without the development of major cities. The history of urban growth all over the world suggests that before the birth of a city, first a pattern of service centres develops to cater to the needs of a predominantly rural population. Over time, some of these centres develop industrial functions and enter upon a self generating, self-sustaining cycle of urban-industrial growth. However, in many developing countries, which were formerly under the colonial rule, the growth of 'primate cities' acted to the detriment of the economy of urban areas in the interior. But today, freed from the claims of colonial rule and nursed through the process of planned economic development, the interior urban areas of these countries are building up their urban economic base and are growing.

Evidence from many developing countries, however, suggests that sound public policies are lacking to guide urban economic growth. As a result, the transformation that is taking place there is invariably haphazard, often inconsistent, competitive, and self-defeating. In India, for instance, a number of development programmes have been undertaken during the plan periods, like location of industrial projects, construction of railways and roads, development of ports, etc., all of which have a marked effect on the transformation of the economic base of cities. Yet, important programme decisions of this kind have been taken without a proper understanding of the urban economic growth processes and in the vacuum of an overall urban policy to guide locations. The result has been that in many cases, development programmes have been undertaken

<sup>1</sup>E.E. Lampard, "The History of Cities in the Economically Advanced Areas", *Economic Development and Cultural Change*, Vol. III, 1954, pp. 81-136.

<sup>2</sup>W. Stopler, "Spatial Order and the Economic Growth of Cities : A Comment on Lampard's Paper", *Economic Development and Cultural Change*, Vol. III, 1954, pp. 137-146.

in towns and cities ill-equipped or only partly equipped to generate self-sustaining growth and in locations that are unable to radiate their growth impulses to the surrounding areas. Even where the selection of centres for development projects were more or less satisfactory, the inputs necessary for urban growth were not provided in these centres in their right proportions, in the right time, and in a coordinated manner with the result that these centres have not been able to realise their full growth potential.

It cannot be over-emphasised that if development projects must make their optimum and desired impact, they should be based on an understanding of the urban economic base and urban growth processes on the one hand and of locational perspectives on the other. The emphasis of this article is on the former aspects of the problem, *i.e.*, on urban economic base and urban growth processes and their implications for public policy formulation.

The Governments of most towns and cities want their communities to grow and prosper, and it is usually assumed that the path to progress lies in the growth of employment of some kind. This assumption seems to be supported by the idea of 'multiplier effects'—that is to say that any given increase in employment will generate further employment and population growth in other sectors of urban economy. But it is not often clear as to how new employment growth can be achieved and then what type of employment would be most effective in promoting further growth. Some studies<sup>3</sup> were recently conducted by the author to gain some insights into this problem.

In this article, it is proposed to discuss the conclusions emerging from these studies and to set out the relevance of these conclusions to questions of public policy.

#### GROWTH FUNCTIONS

At the outset, we may note that from the point of view of urban growth, three functions are significant. These are the urban functions relating to : (i) production, (ii) managerial functions, and (iii) distribution of goods and services.

Production refers to manufacturing activities, which could be split into those which produce goods for other urban centres—so-called 'basic' industries—and those which simply provide goods and services to the local community. According to the economic base theory, it is the 'export' industries which bring money into the town, produce an increase in local incomes and stimulate urban growth. Studies conducted in Japan

<sup>3</sup>These studies were conducted in Japan, Philippines and India when the author was associated with the United Nations Centre for Regional Development, Nagoya (Japan) as Consultant for the Research Project on "The Role of Cities in Attaining a Desirable Population Distribution in the Context of Rapid Urbanization".

and India have clearly established that the popular notion that the increase in basic employment is a *sine qua non* for urban growth is true only to a limited extent. It was observed in the case of Japan that larger the size of a city in population, smaller its proportion to the total employment, particularly in manufacturing industries, and also smaller its contribution to the total increase in employment. From this observation it could be inferred that the relative importance of manufacturing industries in all city-based type industries declines with increase in the size of city. For a city, which has reached a population size of about 250,000 in a developed economy like Japan, the continuous addition of basic production functions does not seem to be absolutely essential for achieving a steady and high rate of growth. This could be better achieved (*i.e.*, without leading to dis-economies) by stimulating other functions. An employment multiplier analysis<sup>4</sup> in 105 medium size towns in India was recently made by the author. In this study, the multiplier was measured in terms of regression co-efficients by the size and function of cities and towns. The analysis revealed that in *manufacturing towns*, the value of coefficients increased from 1.09 in 1961 to 2.30 in 1971 for towns up to the population range of 300,000 and thereafter the co-efficients had a decreasing tendency. In the case of *service towns* (tertiary activity predominant), however, the coefficients had an opposite tendency. While they showed a decreasing tendency up to the size of 300,000, they increased from 3.45 in 1961 to 4.20 in 1971 in cities above 300,000. The inference here is that the scope to increase employment by increasing basic activity is greater among manufacturing cities of small medium-size range, whereas in the case of service towns, the potential for incremental employment due to basic activity is expected to be more in the case of large medium-size range cities.

Managerial functions seem to play an important role in the economy of urban areas, particularly in developed countries. Although their significance appears to be limited in developing countries like India, there is some evidence that these are growing in bigger cities. The term 'managerial function' may be defined as that function which decides, manages, controls and organises socio-economic activities in a city and its peripheral area. The studies in Japan revealed that cities could be classified under three hierarchic levels in respect of managerial functions : (i) cities with *central* managerial functions, *e.g.*, with headquarters of firms in the private sector (and government office headquarters); (ii) cities with *local* managerial functions, *e.g.*, branches of firms and sub-contractors in the private sector (and branches of ministries and government organisations); and (iii) cities with no managerial functions. In Japan's medium-size towns, the second

<sup>4</sup>V.N. Misra, R.K. Wiswakarma and K.V. Sundaram, "Economic Base and Multiplier Analysis—A Study of Towns in India."



level managerial functions are welcomed as they serve to stimulate greatly the local economy and increase governmental revenues. One problem facing the local government officials in medium-size cities in Japan is to devise ways and means of inducing tertiary industry in their cities leading to an enhancement of second level or managerial-level functions.

The distribution of goods and services refers to the tertiary functions of cities. In order to sharpen our focus in employment structure analysis in cities, it is necessary to distinguish between the following two categories of tertiary activities: (i) activities of services that cater to production called 'production oriented tertiary activities' (POT), e.g., business services, repair services and wholesale trade; and (ii) activities of services that cater to the indigenous demand and of a highly localised nature, called 'consumption oriented tertiary activities' (COT) like schools, medical services retail trade, etc.

Urban growth is not merely the function of basic production activities. On the other hand it is a function of a complex of inter-dependent activities. The nature and proportions of the mix of activities or employment components, like manufacturing, production oriented tertiary activities and consumer-oriented tertiary activities as well as managerial functions determine the pattern and rate of urban growth. From our studies, it would appear that the desired pattern and mix of employment components conducive to urban growth would be different at different points of time, corresponding to different stages of city growth. The general pattern of employment growth as generalised from these studies seems to be as follows :

The small cities begin their growth first by attracting industries; thus manufacturing (MNF) has a trigger function, after which the COT starts to thrive entailing a sharp increase in the total employment; the POT element comes into play almost simultaneously, providing linkage functions and augmenting the growth process; at one stage of development, the city starts a growth of an autonomous nature in which the major driving force is the COT.

In the case of studies undertaken in Japan, the following typology of employment structure in cities emerged which seems important :

1. Cities below 0.1 million population with the highest proportion of employment in the MNF sector and yet with a relatively low rate of growth of total employment.
2. Cities with a population between 0.1 to 0.25 million characterised by a high rate of growth of MNF matched by a high rate of growth in the COT sector, leading to a high rate of growth in total employment.

3. Cities with a population between 0.25 to 0.5 million, characterized by the increasing rate of growth in the POT sector, but employment growth is influenced predominantly by the high rate of growth in the COT sector.
4. The million-plus cities, characterized by the POT sector being the predominant sector of employment.

The above mentioned typology, bringing out the changing roles of the employment components with the progression of city size, is indeed very interesting. A point of great significance in this analysis is the inter-sectoral dependence mechanism, which is quite suggestive. For an initial thrust for urban growth, it seems that it is the concurrent growth of the MNF and the COT sectors which is necessary. The regression analysis carried out in the Indian study provides conclusive evidence in this regard. The coefficient value of MNF drops considerably after dropping COT in the analysis, while it increases substantially when it is included in the analysis, clearly indicating the complementary relationship between MNF and COT in employment growth.

These conclusions point to the fact that public policy must recognize the crucial variants in the growth patterns of cities in their different contexts and must guard against adopting a blind approach seeking to stimulate urban growth through blanket prescriptions. Each city has to be studied in depth, its economic base analysed and its stage of growth in the development continuum assessed and the right mix of inputs necessary for stimulating urban growth prescribed accordingly. For this, an understanding of the dynamics of urban growth processes is essential.

The author constructed a model of the dynamics of urban growth<sup>5</sup> which tells us why the city grows and throws light on the determinants and sources of growth during different stages in a development continuum.<sup>6</sup> This model may be illustrated as follows. Let us consider an urban system together with its rural hinterland. The urban centres of this system may be viewed as products of the countryside set up to perform certain essential functions. Growth in this system is partly exogenously determined and partly generated from within (autonomous). Among the exogenous growth forces, there are two elements, *i.e.*, those

<sup>5</sup>K.V. Sundaram, "A Theoretical Framework for the Study of Urban Growth Dynamics"—paper presented to the Asian Symposium on Regional Development, Mysore, 1974.

<sup>6</sup>Many contributions under the heading of 'urban growth' do not specifically deal with the determinants and sources of urban growth. They assume that the urban economy is growing and then proceed to explore the repercussions of growth on the spatial structure of the city. The contributions of Christaller, Higgs, Bon Boverter, Tinbergen, Bos, Pfouts, Weiss and Gooding, Czamanski, Thompson and Pred are however significant in this context.

that are determined through national policies and those that are induced through the mechanism of inter-regional interaction. Initially, the urban centres of this system grow as small service nodes, but later their growth is in response to

1. structural changes taking place in the rural hinterland which are reflected in changes in such variables as population, employment, production, consumptions, technology, organisations and institutions, social values, income; and
2. intensity of interaction with the surrounding rural areas and urban centres of various ranks, such interaction being reflected in the movement of people, goods and services to and from the urban area.

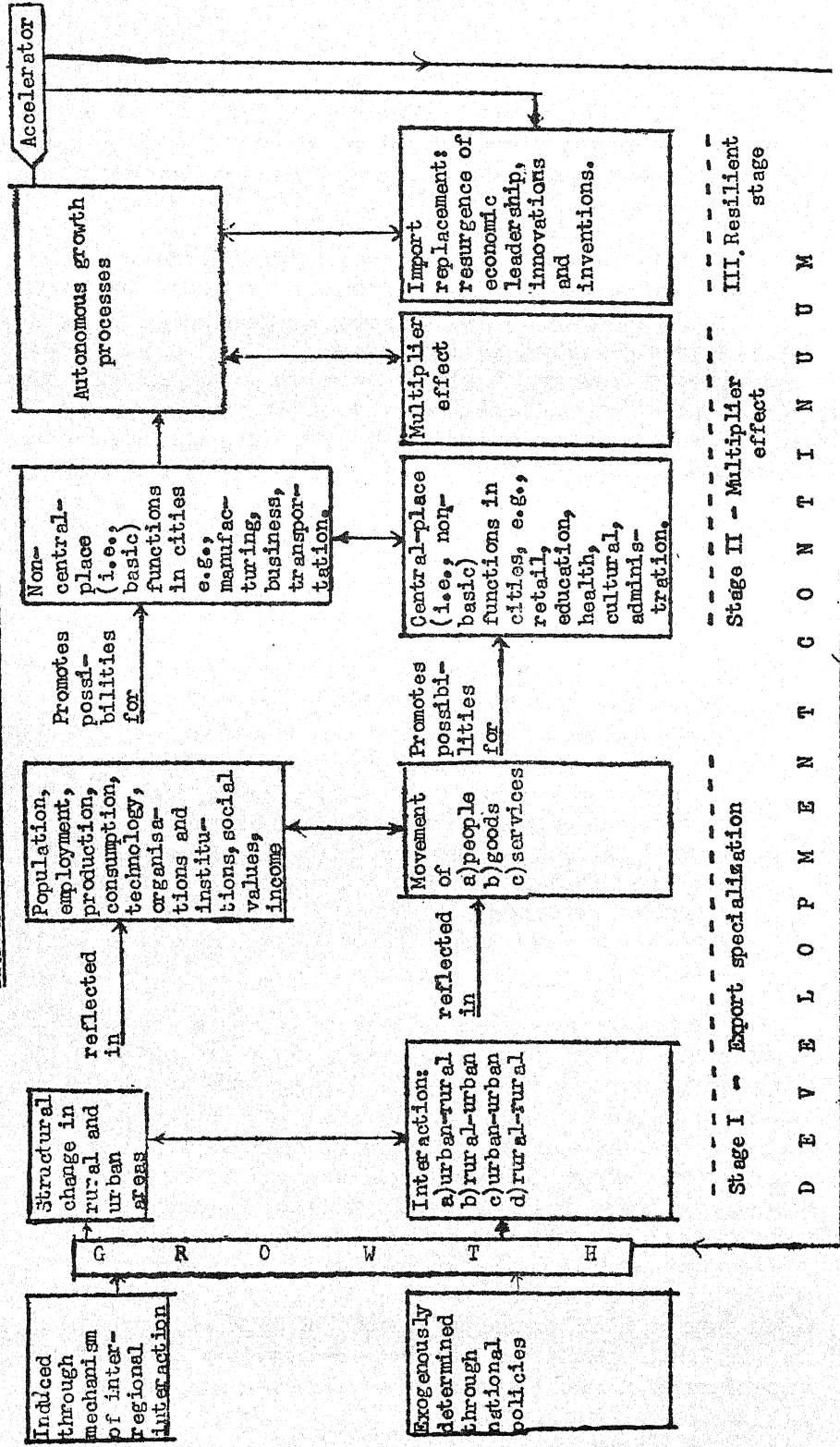
It should be noted here that the structural changes refer to the transformation taking place in socio-economic space, while the rural-urban interaction reflects this transformation in geographic space. Both these changes are manifested ultimately in urban areas through

1. growth of central place functions (non-basic activities), *i.e.*, those which serve the town and a local hinterland such as retail services, education, health, professional services, cultural services;
2. growth of certain non-central place functions (basic activities), *i.e.*, those which are non-local in nature (serving larger than the local market) such as industry, commerce, transportation; and
3. evidence of growth is also reflected in the expansion in certain basic services which tend to grow to accommodate the pressures experienced by growth in (1) and (2) indicated above; such as expansion in water supply, power supply, telephones, transportation.

As the externally induced changes operate, causing the city to grow, simultaneously certain autonomous growth forces are also generated within the city leading to internal structural changes which in turn, further accelerate the growth. These autonomous growth forces include the multiplier effect, the substitution and import replacement process, and resurgence of economic leadership and creative activity (inventions and innovations). The whole gamut of forces (both growth determinants and processes) coming into play is illustrated in the diagram on next page.

The operation of the various growth forces can be viewed in a time sequence of different stages. The stimulus for initial growth probably comes from a single venture or a group of activities, mainly in the secondary sector, setting the *stage for export specialization*. When this original growth stimulus has generated a sufficiently strong impulse to lift

# DIAGRAM DYNAMICS OF GROWTH IN AN INTERACTING URBAN SYSTEM



the economy to a certain level, other derivative growth forces, such as the growth in the tertiary sector, take over. This we may call the *stage of multiplier effect*. If the economic build-up is sufficiently strong, cities reach a *resilient stage*, where, even when urban growth slackens or stalls, a kind of "challenge-and-response development syndrome" comes into being to support the faltering economy, such as is evident in the substitution or import-replacement process or in the resurgence of local economic leadership and individual creativity. During all these sequences, urban growth feeds upon itself and may, therefore, be viewed as an interrelated process in which each stage in the development becomes a function of the previous stage.

#### FRAMING URBAN PUBLIC POLICY

While using the above model as a guide for formulating public policy in relation to urban areas, note has to be taken of the stage of city development. The introduction of this variable serves to indicate the aspect or aspects of public policy that should receive emphasis at different stages. For instance, in a situation in which the centripetal forces are just beginning to make the cities grow, it is obvious that the cities themselves have only a weak economic base and have not reached the threshold level when growth inducing autonomous changes within the urban economy can operate vigorously. In this context the policy should aim at stimulating the pace of structural changes taking place in the hinterland and the intensity of the city-hinterland interaction which would lead to the accretion of basic production functions in the city. On the other hand, in a situation where the cities are mature and well developed, the emphasis will be on deriving clues relating to the operation of autonomous growth. Here, the public policy must devote greater attention to factors accelerating or promoting multiplier effect, import-replacement effect, generation of entrepreneurship, and innovations and inventions. In between, we may have several situations where public policy has to weigh the relative strengths of the various growth-promoting forces.

From the above mentioned account, it is clear that the question of formulating appropriate public policies meant to stimulate the growth of economy of urban areas is not a simple task. Each situation has to be meticulously assessed and appropriate decisions taken only after such a realistic assessment of the factors and components leading to urban growth has been made. Unfortunately, this is seldom done in our country. Urban planners who are supposed to aid policy and decision makers in this respect have not pursued their studies in this context and provided the right guidance. It appears that nearly 400 master plans for towns, cities, and city regions have been drawn up in the country over the last 15 years. Unfortunately, one does not find an in-depth urban economic

base analysis in these studies, with the result that they have failed to furnish the right kind of guidance to the policy and decision maker. Even in the studies undertaken for metropolitan cities, like Delhi, Calcutta and Bombay, we do not find such detailed analysis. As an illustration of the utility of urban economic base analysis to policy decision-making, we may cite the example of a case study carried out in Meerut city.<sup>7</sup>

#### CASE OF MEERUT CITY

Meerut city (Population : 1971 : 367,754), is located in an agriculturally productive area and on one of the most active development corridors around Delhi with close linkage to the national capital and to the industrial centres in its vicinity. The city's demographic growth was characterised by slow growth till 1931, a watershed between 1931 and 1941, a sudden spurt between 1941 and 1951, a tendency to slow down during the next decade, and again a rising trend since 1961. The sudden spurt between 1941 and 1951 was caused mainly by the influx of immigrant refugees from Pakistan, following the country's Independence, while the tendency for growth exhibited during 1961-1971 may be attributed to the structural changes taking place in the city's economic base.

During the decade 1961-71, the hinterland of Meerut saw important structural changes in its agricultural economy, involving significant increases in the double-cropped area and the irrigated area and a phenomenal increase in agricultural productivity, brought about by the large increase in the number of tube-wells and pumping sets and the use of scientific farm inputs and improved farm implements, tractors, and other farm machinery. There are no attitudinal barriers on the part of farmers towards scientific farming and this has increased the need for urban trips for purchase of agricultural inputs and repair and servicing of agricultural implements, leading to increased rural-urban interaction. The rural working force structure during the last decade does not point to any marked shift or transformation. Agriculture has maintained its predominant position, indicating the attraction exerted by agriculture and its ability to provide reasonable standards of living. At the same time, a slight increase in rural industrialization is discernible. Thus, the changes that have taken place in the rural hinterland of Meerut are not so much reflected in the employment structure of the rural population as in the technological changes in the agricultural economy, with its concomitant effects on the urban areas. These changes have brought stability to the rural areas and stimulated a healthy rural-urban relationship, with

<sup>7</sup>For full details of the Study, see United Nations Centre for Regional Development, Nagoya (Japan), "Case Study of Meerut (India) : Research Project 501", April 1974.

towns acting as service centres. It is this prosperity of agriculture in the countryside and the healthy rural-urban relations that it has fostered which have been the basic determinants of growth in the urban areas of the district.

Meerut city has grown mainly in response to the felt needs of its agricultural hinterland and it is the latter which has been feeding and sustaining its growth. The city grew in the beginning mainly as a service centre and this function still continues to persist as an important component of the urban economy. Around 1951, an important transformation took place when, with the in-migration of a large number of refugees displaced from Pakistan, the tertiary sector of activity began to grow and it became an important trade and commercial centre. This marks the change from subsistence urbanisation to commercialisation. Following this change, the city also began adding to its basic functions and thus grew as an industrial centre too.<sup>8</sup> All these changes have meant corresponding changes in employment growth and the labour force structure.

In order to derive insights into the structural changes in employment in the city and growth-promoting and growth-retarding factors, employment was broken into its components, and the changes in their structural composition were studied.

In the case of the manufacturing sector, the major thrust for industrial development in Meerut appears to have come mainly from its rural hinterland. The survey of industrial establishments conducted in the city showed that agro-based or agri-business industries predominate, followed by some footloose durable consumer goods industries showing continuous increase during the last decade.<sup>9</sup> Growth trends in a number of crucial indicators, including value added by manufacturing, fixed capital, working capital, and gross value of plant and machinery have shown consistent increases and the capital-output ratio has also indicated a high increase in productivity.

The city, abounding in potential entrepreneurship with ability to invest, appears to have quite a favourable industrial climate for further development. Linkages with Delhi, which is also a potential market for goods, are another factor conducive to growth. An important change that was observed in industrial firms during the survey was the increasing trend

<sup>8</sup>Meerut has a number of large, medium and small industries : sugar mills, distillery and chemical works, metal products, agricultural implements, sports goods, handlooms, etc. The Partapur industrial estate is situated about ten kilometres from it on the Delhi-Meerut Grand Trunk Road and another industrial complex—Modipuram,—nine kilometres from Meerut on the Meerut-Roorkee Grand Trunk Road is also being planned.

<sup>9</sup>Among the 125 registered factories in the city, 30 establishments were surveyed in which detailed investigations were undertaken covering the pattern of employment changes, changes in labour productivity, wages, output, value added, etc., over time.

towards institutionalization of entrepreneurship and a perceptible tendency on the part of industrial firms to have an increased managerial component in their personnel structure. All these clearly show that permissive and implemental factors are favourable for a further growth of the basic production functions in the city.

A study undertaken to evaluate the respective roles of the employment components (MNF, POT and COT) in the growth of total employment in the city provided valuable clues as to the extent of the exogenous and endogenous components in the urban growth process.<sup>10</sup> Among the different activities, MNF has played a predominant role in the total employment followed by POT and COT, showing that at the present stage of development, the exogenous forces are playing a dominant role in urban employment growth. The analysis further brought out clearly the complementary relationship between MNF and COT, emphasizing a vital point that it is the *concurrent growth and joint thrust* of these two sectors that stimulate urban growth in the initial stages.<sup>11</sup> This is to be noted as a point of great significance in planning and suggests that through a skilful manipulation of the employment components, urban growth could be greatly stimulated. The employment multiplier analysis for Meerut city shows that at the present stage, a unit increase in basic employment results in an increase of 3.06 units in total employment (*i.e.*, the basic employment *multiplier* is 3.06); meantime, in terms of *elasticity*, a one per cent increase in basic employment results in a 0.78 per cent increase in total employment.

Analysis of labour mobility and comparison with other fast-growing industrial centres in the same region indicated that labour mobility had started playing its role in the allocative mechanism, implying that the economic structure of the city was changing rapidly.<sup>12</sup>

A survey of shops and commercial establishments conducted during

<sup>10</sup>This was done by regression analysis which estimated, first, by the absolute values of total employment in the different categories and, second, by converting absolute values into decadal changes in the total employment in these categories. In the latter case, the analysis was further deepened in order to get definite insights into the relative importance of MNF and COT vis-a-vis MNF and POT in the total employment of the city.

<sup>11</sup>In the regression analysis conducted after dropping COT, the magnitude of the co-efficient of MNF suddenly drops in value. Similarly, when COT is included in regression along with MNF, the co-efficient of the latter increases substantially.

<sup>12</sup>In this analysis, two measures of mobility were employed, *i.e.*, (1) mean number of job shift per mover, and (2) job shifts per year or mobility rate obtained by dividing the number of job shifts by number of years in the job market.



the study revealed some interesting conclusions.<sup>13</sup> About one-fifth of the establishments in the tertiary sector have grown during the last five years only, the leading branches of growth being retail establishments servicing (repair) establishments, and wholesale establishments. In the POT sector, the repair services (particularly agricultural servicing and repairing) and the banking sector have registered vigorous growth, while the COT sector growth has been significant in general merchandise, eating establishments, and personal and community services, particularly their diversification. Time-trend analysis of selected growth indicators reveals that the POT sector has been leading in growth in all the major indicators.<sup>14</sup> The performance of the COT sector shows that it has not been lagging behind but, in fact, is growing fast to catch up with the growth in the POT sector. The temporal shift analysis indicates that it was only around 1968 that the POT/COT activities tended to assert themselves on the economic base of the city as important sectors of employment generation, pointing to the operation of the export base multiplier since then. Around this period, the population size of the city turned around 300,000 suggesting this population limit as the plausible threshold level for such change.<sup>15</sup> From the clues that we derive from this study, it is also possible to conclude that in the development continuum, Meerut represents the transitional stage between the *export specialization and multiplier* stages.

The crucial question from the point of view of public policy is : given the present resources and performance constraints to unlimited growth of the city, what should be the role of Meerut in the developing situation ? In the past, Meerut has undergone changing roles—from a simple service centre to a trade and commercial centre and a regional administrative centre. The impetus for these changes has come from its rich and prosperous hinterland and from those State policies which have had favourable effects on the growth of Meerut. In the present phase, its industrial activities are growing because of the proximity to Delhi which provides a ready market for industrial goods and the entrepreneurial ability of its population. Both 'permissive' and 'implemental' factors of growth are favourable for further growth. The policies in Delhi are in

<sup>13</sup>The sample survey of shops and commercial establishments covered about 100 establishments and was designed to provide information about the owner's place of origin, the year of establishment of the business, the changes in the quantum of sale and employment over time changes in the quality of service and catchment area, the degree of local and non-local consumption, etc.

<sup>14</sup>The growth indicators examined were rental value, property value, annual business turnover, total workers, and managerial workers. The time-spread for this performance analysis is from the year of establishment to the year 1973.

<sup>15</sup>It is admitted that to attempt generalisations based on a single case study is hazardous. The strength of this hypothesis needs testing under varied conditions.

favour of decentralizing economic activities to its hinterland; the urban centres in closer proximity (e.g., Ghaziabad, Faridabad, Modinagar) have already benefited from such policies and their industrial growth has reached almost a saturation level. Among the cities coming next in proximity and potential range to receive the impact from Delhi, Meerut ranks the highest. Thus Meerut is favourably situated to absorb the extra-regional (metropolitan ?) impulses of growth coming to it. Such development would impart to the city a role exceeding that of a regional centre but sometimes very much below that of a metropolis.<sup>16</sup> In our typology of cities, we do not seem to have an adequate expression to connote this role. One wonders to what extent the term 'regional metropolis' will convey this sense to any degree of satisfaction. In any case, the relevant question seems to be : what should be the activity mix that must be planned for Meerut to enable it to realise this goal ? Our empirical findings indicate that the city has reached a stage when autonomous processes of urban growth have already commenced to operate. When the 'threshold' has been crossed for this change, rational regional policy considerations will dictate a diversification of tertiary activities (to ensure growth stability) and a concurrent dispersal of basic production functions to the smaller towns (to strengthen their economic bases and to ensure balanced regional development). In applying such strategy to the Meerut situation, it should be noted that the assumption implied herein that this city will now continue to maintain its growth through self-sustaining autonomous urban growth processes is somewhat untenable, as in its locational and regional growth context, Meerut has to recognise two competing influences. One of them tends to compete for specialised service functions (apex functions), i.e., metropolitan Delhi, while the other cities (represented by a group of urban centres located in its hinterland) compete for POT and COT activities.<sup>17</sup> In this realistic context, the strategy that seems to suggest itself is that Meerut should continue to add to its basic production functions adequately enough to set the stage for the autonomous growth

<sup>16</sup>During our opinion survey as well as individual and group discussions with several informed elites in the city, the question of the potential role of Meerut was posed. From the answers of the respondents, two strands of thought can be pulled out : (a) that Meerut should maintain its present role as a regional centre, and (b) that Meerut should grow into a 'counter metropolis', for which it has adequate potential. (The respondents here included some leading industrialists.) Analyzing these two leading opinions in the light of the facts that have come to our notice during our study, it must be mentioned that the evidence tends to indicate that the effort and resources of the magnitude that would be required to develop this city into a 'counter metropolis' do not seem to be forthcoming.

<sup>17</sup>Our enquiries have revealed that 'local service centres' are growing up in the hinterland of Meerut by absorbing some agricultural servicing, repairing, and processing activities (which were hitherto gravitating to Meerut). This is an inevitable trend and a healthy one too.

processes to play their roles eventually. But such additions have to be planned discriminately to avoid the evils of growth in the city environment on the one hand and to guard against parasitic and backwash effects on its hinterland on the other.<sup>18</sup>

### CONCLUSION

In this article an attempt has been made to emphasise the importance of urban economic base analysis as an aid to policy decision-making. In this context, the urban growth model with its 'stage of growth hypothesis' and the built-in employment component analysis comes in as a valuable tool of analysis. Where a city is located in an underdeveloped agricultural region, public policy may do well to strengthen the external stimuli for urban growth by perhaps strengthening the agricultural base of the rural hinterland and by lubricating the patterns of mobility that tend to increase the centripetal forces of urban growth. Where a city is in a 'transitional stage' (e.g., Meerut city) without having attained the stable conditions for autonomous growth, public policy may aim at adding discriminately to its basic production functions. In the case of cities which have already reached the 'multiplier stage', a concentration of effort on the maintenance of conditions conducive to autonomous growth is perhaps indicated. In terms of public policy, this would mean augmentation of local managerial functions and sizable additions to the producer-oriented tertiary functions. However, we may note that generalisations with respect to the choice of public policies in relation to urban development are hazardous because of the great variations among cities and the complexities of the urban growth phenomenon. We would emphasise in this context that public policies for city development should be geared to the unique characteristics and functions of individual cities, taking note of their stage of development in the development continuum and differences in their socio-economic setting.

<sup>18</sup>This implies effective and planned decentralization strategies and close and continuous surveillance of industrial development policies at the state and national levels. Policy inputs must seek to bolster and reinforce such strategies.

# LAND VALUES IN DELHI—AN ANALYSIS OF SPATIAL VARIATIONS\*

R.K. WISHWAKARMA

Economists from Marshall through Haig to the contemporary theorists, have accepted "the view that the desideratum was to be at the centre of the activity and ties to other establishments in the production process or the number of potential customers were greatest". Almost by definition such a centre was the central business district and it contained the highest land values in the region with smooth declining gradients in all directions. Transportation entered as a means of reaching the advantages of the central business district without paying its rents, so that rents plus transportation costs, called by Haig the 'friction of space' tended to balance at each location.<sup>1</sup> Alonso advanced the theory by pointing out that the space occupied by a home or business is an independent variable which must be included with that of closeness to the centre, in a three-way balance of accessibility-space-transportation costs, in determining the worth of a piece of ground to an individual user.<sup>2</sup>

Economists as well as practising real estate dealers have realised that models such as this result in tremendous over-simplification. There is some common agreement among the students of land economics as to the more important factors reflecting urban attributes which must be added to location, transportation, and plot size in the study of land value theory. Among these are the physical factors of soil and topography which may prevent certain types of construction and may limit or make access to certain urban services such as water supply, sewerage lines, schools and

\**Courtesy* : Social Scientists Association, Town and Country Planning Organisation, New Delhi.

*Note* : The present paper is an excerpt from his dissertation on "Land Values in Delhi—An Analysis of Spatial Variation and Trends" submitted for the award of M. Phil. Degree from the School of Social Sciences, Jawaharlal Nehru University, New Delhi.

<sup>1</sup>Haig, Robert M., "Major Economic Factors in Metropolitan Growth and Arrangement", *Regional Survey of New York and Its Environs*, New York, 1927, Vol. 7, p. 38.

<sup>2</sup>Grace Milgram, *U.S Land Prices—Directions and Dynamics*, Washington, 1968.

recreational facilities more expensive. All these factors combined with several other 'amenity factors' explain both land values differentials as well as their pattern and distribution.

#### HYPOTHESES

The pattern and distribution of land values and its differentials in some form being related to the structure of land values, certain aspects of the distribution pattern may be used to analyse land value differential. This suggests for a hypothesis which should consider land value variation being reflected in property uses and shall also explain the relationship between the spatial pattern of land values and property uses. Spatial patterning of land values indicates that the two pieces of homogeneous property or spaces at different points of location are not the same. This suggests for a hypothesis that should consider land value differentials on account of location of certain properties far away from the CBD. This will explain the relationship between distance and location of value. Since certain locations are preferred not because of its nearness to the centre but for other 'amenity factors' for interaction of human activities mastering space is considered as a cost on land value differentials. Sometimes the pressure on urban amenities and services on account of higher level of growth of population, may depreciate the value of land for certain types of uses. The density of population per unit of space and the density of capital (on social overheads) per unit of space have also bearing both on land value differentials and its structure as well as its uses and abuses. This suggests another hypothesis which should consider land value variation on account of density of population. However, in the absence of data on density of capital per unit of space, no suitable hypothesis could be formulated to relate land value with the 'amenity factors'. Nevertheless, the increase in efficiency of space increases the land value.<sup>3</sup>

#### RATIONALE OF THE HYPOTHESES

In view of the above discussion the hypothetical factors of land value differentials, viz., location, distance, and density determine the degree to which values are affected by distance from the core and the location of property and also by density. Since intensity of business activity is greatest at the centre<sup>4</sup> of the city and declines with a unit distance towards

<sup>3</sup>Mahesh Chand & R.K. Wishwakarma, *Urban Land Speculation*, [January, 1972 (typed script).]

<sup>4</sup>Connaught Place is the Central Business District of the Capital because it is not only the commercial but also a point which provides a link between different parts of urban Delhi. Of 6,127 establishments employing 36,346 workers are housed in New Delhi-Connaught Place area. There is also a glaring difference in the total number of population sustained by the area during the day and night time, since the resident-population

the periphery, there is also declining tendency in the intensity of land-use toward periphery, where land is more abundant. As such, if the value of land declines with a decrease in the intensity of land-use, land values could also be expected to decline with the distance from the core.

Although there is some general consensus on the kinds of factors that explain price variations, their relative importance in varying situations and predictability is not known. In India, no serious effort has been made to establish the relative importance of various factors that explain land value differentials. However, in this study due to paucity and data limitations, we could not cover all the factors which may account for urban and value differentials. Nevertheless we have tried to establish relationship of land value differentials mainly by distance from the core and gross density at the level of aggregation. The findings of this preliminary study, however, promises that a comprehensive study will be rewarding.

In order to analyse the pattern and distribution of land values as well as to identify the factors affecting land value differentials, the analysis has been dealt with in two parts. The first part analyses the pattern and distribution of land values both intra-zonal and inter-zonal; and the second part analyses the factors affecting and value differentials and their relationships and measurement.

#### PART I—LAND VALUE PATTERN

An analysis of the pattern of land value distribution suggests that the value of land declines as the use changes from commercial to residential. The land value in each zone is more for commercial use, less for residential-cum-commercial and the least for residential. This analysis is more suggestive of two value-promises, *viz.*, the marginal return from commercial use is higher than residential or residential-cum-commercial and secondly the commercial properties constitute somewhat a small proportion of the total private property and as such are in great demand. The use of average value per property is an indication of the degree of variation in land value by use which carries the implicit assumption that equal size of property in each category and its intra-zonal and inter-zonal variation is due to site location and intensity of use. To substantiate this argument, the data (*vide* Table 1) reveals that for commercial and for commercial-cum-residential use, the land value is the highest in Connaught

(Continued from pre. page)

constitutes about one-third (*i.e.*, 2,443) of the total number of workers, *i.e.*, about 13,000. Excluding these workers the mobile population has been estimated between 10-20 thousand during the peak hours. But the stream of daily traffic between Connaught Circus and 12 other important connecting routes of urban Delhi constitute about 78,000 mobile population—Cf. Ganguli D. (Mrs.), Estimates of Mobile Population in Connaught Circus, New Delhi Redevelopment Advisory Committee, Ministry of Works & Housing, May, 1972, (Mimeo).

TABLE 1 INTER-ZONAL VARIATION IN LAND VALUES  
BY USE DURING 1971-72<sup>1</sup>

(in Rupees per Project)

Zone	Zonal Average Value by use		
	Residential	Commercial	Residential/ Commercial
A. New Delhi-Connaught Place	—	17,83,383 <sup>2</sup>	—
B. Karol Bagh	32,006	58,191	36,560
C. Civil Lines	33,409	2,55,435	1,13,940
D. City, Sadar-Pahar Ganj	22,810	59,201	53,558
E. South Delhi	28,054	35,410	22,260

NOTE : <sup>1</sup>These values are the zonal averages for respective uses based on rateable value of properties annually assessed by the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

<sup>2</sup>The value is based on the actual rent being paid by the occupants of the property per annum.

Place as compared to other zones (*viz.*, Civil Lines, City, [Sadar-Paharganj, Karol Bagh and South Delhi Zones—in order).

If we take into account the residential value, Civil Lines Zone has the highest value followed by Karol Bagh, South Delhi and City, Sadar-Paharganj. It could generally be observed that apart from distance from the core, *i.e.*, Connaught Place, the localities' predominant nature of 'land-use' and its intensity played a vital role in the variation of land values. It is also evident from Table 1 that for residential use, the variation in value is more in Civil Lines, than in South Delhi and Karol Bagh and least in City, Sadar-Paharganj. The value thus depends more on many other factors such as the density of capital on social overheads per unit of space.

The above analysis is of a very generalised nature as the data collected is only for those plots where the total ratable value was more than Rs. 16,000 and above irrespective of the plot-size which is an important factor for the analysis of land value. In the absence of this information in Municipal records, 8 frequency ranges of land values have been prepared to bring about uniformity and consistency assuming that each frequency range represents a 'homogeneous' plot-size.

#### INTER-ZONAL VARIATION IN LAND-VALUE BY RANGE

A further analysis of inter-zonal variation in the various ranges of urban land values by use (*vide* Table 2) reveals that in the value range of Rs. 16-20 thousands—City Sadar-Paharganj; in 20-25 thousand—Civil Lines, in 25-30 thousand—South Delhi, 30-35 thousand—Karol Bagh in 50 thousand and above—South Delhi have the highest values. The data

TABLE 2 INTER-ZONAL VARIATION IN THE RANGE OF URBAN LAND VALUES IN DELHI DURING 1971-72

Average Values by use in '000 rupees	Residential					Commercial					Residential/Commercial				
	(B)	(C)	(D)	(E)		(B)	(C)	(D)	(E)		(B)	(C)	(D)	(E)	
16-20	18,018	18,564	19,820	17,685		17,685	—	—	18,620		—	—	18,040	18,295	
20-25	21,406	22,872	20,380	22,117		21,305	—	23,330	21,602		—	—	22,570	23,473	
25-30	25,245	27,656	26,443	29,066		—	—	27,610	28,190		—	—	25,650	—	
30-35	32,480	30,620	—	32,083		34,500	—	—	33,480		—	—	32,058	—	
35-40	37,297	—	—	37,270		—	—	36,480	36,398		36,560	—	35,165	—	
40-45	—	—	44,660	43,270		40,650	—	—	42,170		—	—	—	—	
45-50	—	—	—	47,545		16,495	—	49,600	46,560		—	—	—	—	
50 and above	79,842	60,750	—	66,398		1,48,251	2,55,435	1,60,060	81,772		—	1,23,940	95,920	—	
Zonal Average	32,006	33,409	22,810	28,504		58,101	2,55,435	59,201	35,201		36,560	1,23,940	53,558	22,260	

NOTE : 1. These values are the average rateable values of the property annual assess by the office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

2. The land values of the CBD, i.e., New Delhi, Connaught Place (Zone-A) are based on the actual rents being paid by the occupants annually. The average value of commercial land use is Rs. 17,83,383 Annual. This data has been taken from survey of properties undertaken by the New Delhi Redevelopment Committee, Town & Country Planning Organisation, Government of India, 1971-72. N.B : B—Karol Bagh Zone C—Civil Lines Zone D—City, Sadar-Paharganj Zone E—South Delhi Zone



or Commercial and Residential-cum-Commercial use are insufficient for enabling a comparison for the four zones respectively. Even for residential use, a complete analysis is not possible due to non-representation of land value ranges in certain localities. The problem of non-representation of land value-ranges in certain localities suggests that there is a significant gap between the value assessed and the actual value. The assessment thus becomes defective with the result that land value remains hidden to a great extent which if tapped may improve the fiscal soundness of urban local bodies.

#### INTRA-ZONAL VARIATION IN LAND-VALUE

##### *Residential*

Of four zones under the analysis, the residential value in the maximum range of Rs. 50 thousand and above value was in Kingsway Camp, Model Town and Kamla Nagar in Civil Lines Zone, Najafgarh Road in Karol Bagh zone, and Lajpat Nagar in South Delhi zone. The minimum value in the range of Rs. 16-20 thousand was in C.C. Colony, New Chandrawal in Civil Lines Zone, South Patel Nagar, Poorbi Marg and Naiwala in Karol Bagh zone, Chunamandi in City, Sadar-Paharganj zone and Anand Niketan, Kalkaji Road, Panchsheel Colony, Kailash Colony, Safdarjang Development Area and Hauz Khas in South Delhi Zone (See Appendix I to IV).

##### *Commercial*

The value of Commercial use is highest in Connaught Place, *i.e.*, CBD., Prem Nagar in Civil Lines zone, Arya Samaj Road in Karol Bagh zone, Multani Dhanda in City, Sadar-Paharganj zone and Jangpura and Kalkaji (Extension) in South Delhi zone. The corresponding minimum value of commercial use is in Roop Nagar in Civil Lines, Poorbi Marg and South Patel Nagar in Karol Bagh, Nabi Karim in City, Sadar-Paharganj, and Green Park Extension and Okhla Industrial Estate in South Delhi.

#### IMPLICATIONS OF THE ANALYSIS

It is common knowledge that land sold or property rented at different prices for single use or for different uses and even for the same use in different localities/zones of the urban metropolitan Delhi. However, the use of local and zonal averages serve to minimise the greater range found among smaller areas. Looking at residential land-use largely, values in developing localities are over twice or thrice as high as those in comparable localities of more congested older areas of Delhi. However, there are no studies which attempt to explain such local and zonal differences, either in overall averages or for particular type of use of land in different zones of city areas. Since a combination of factors will explain the degree of variance at most, and since the same variables seem to have different relations with the value of land under varying circumstances, it is necessary

to measure the degree of relationship and the contribution of each factor to the value of land. In view of this an attempt has been made in the next section to measure some of the factors that account for the variation in land values.

#### SPECIFICATION OF VARIABLES

In order to analyse land value differentials, three variables, viz., land value, distance and density have been taken into account, viz., land value (Y), is the average value of each locality, distance (X) is the actual road distance from the CBD, and density ( $X_2$ ) is the zonal gross density.

#### FORM OF FUNCTION

In order to study the spatial variation in the land values in various zones due to the factors like the distance from a nodal point and density of population in each zone, regression equations of the following forms have been fitted to the data by the least square method :

$$(1) \quad y = a + b_1 x_1 \quad \dots \quad b_n b_n x_n$$

$$(2) \quad y = a \quad x_1 b_1 \quad \dots \quad x_n$$

The second equation which is curvilinear in nature has been fitted in addition to the linear equation in order to get an idea of the extent of variation in land values being explained by the above factors under different models. Further the coefficient of 'b' in second equation gives the elasticity, which could be interpreted directly. However, it should be noted that the 'b' value in the second equation would remain constant throughout the relevant ranges of the concerned variables.

In each type of equation, the distance from the nodal point has always been treated as independent (variable explanatory variable) to explain the land value differentials. However, in working out the relationship at an aggregate level combining all zones, density of population has also been taken as the independent variable in explaining the variations in land values. The relationships have been worked out separately according to the uses of land for residential, commercial and commercial-cum-residential.

#### *Residential*

The regression coefficient of distance from the core on the land values of the localities is positive and turns out to be significant at 5 per cent level of significance only in Civil Lines area. This also indicates that for Civil Lines as the distance increases from the core the land value goes up. The curvilinear function indicates that increasing one per cent distance from the core, about .54 per cent of land values will be increased. This phenomenon is quite understandable particularly in the case of Civil

Lines (*vide* Table 3), which is predominantly used for residential purposes. The higher income group and/or people conscious of social status would prefer more private spacious accommodation than nearness to the core. They could afford to live at a distance from the core but desire to have better and spacious accommodation and quality environment with better amenities of life.

However, in other localities such as Karol Bagh and Sadar Bazar, which happens to be nearer and contiguous with the core area, regression coefficients for distance are negative though not significant indicating that the land values have tendency to increase with the increase in distance from the core. This phenomenon of value decrease with the distance— increase may be due to the fact that in the Karol Bagh and City, Sadar-Paharganj zones commercial uses of land are more predominant than the residential ones, with the result the effects of both uses might have confounded. Since there is predominance of commercial use, the residents of these zones have tendency to stay nearer to the place of business activities, which have been concentrated mainly in the core zones.

#### REGRESSION EQUATIONS OF LAND VALUES ON DISTANCE RESIDENTIAL USE

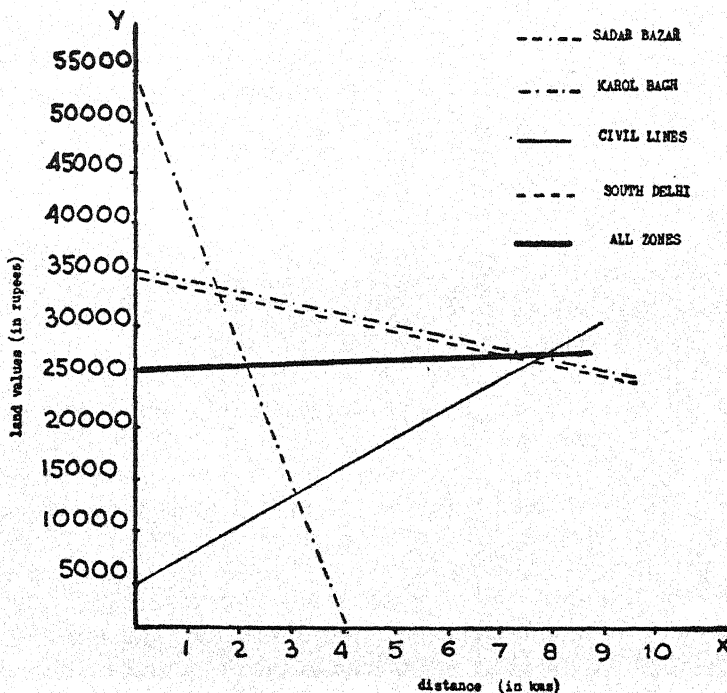


Fig. 1

TABLE 3 REGRESSION COEFFICIENTS AND STANDARD ERRORS OF LINEAR AND CURVILINEAR FUNCTIONS OF RESIDENTIAL VALUE IN DIFFERENT ZONES

Name of the Zone	Model No.	Linear			$R^2$ (in per-centage)	Cobb Douglas			$R^2$ (in per-centage)
		Constant (a)	Reg. Coefficients $x_1$	$x_2$		Constant (a)	Reg. coefficients $x_1$	$x_2$	
City, Sadar-Paharganj	(1)	53,799.90 (31,449.17)	-12,822.00 (14,595.42)		13.37	11.88 (0.79)	-.977 (1.034)		15.13
Karol Bagh	(1)	35,250.75 (10,224.77)	-1,013.79 (1,615.33)		2.94	10.77 (0.51)	-0.303 (0.284)		8.03
Civil Lines	(1)	4,633.09 (8,682.86)	2,946.49* (976.65)		34.87	9.11 (0.53)	.535* (0.249)		21.37
South Delhi	(1)	34,590.62 (6,854.56)	-983.79 (719.78)		7.51	10.83 (0.48)	-.326 (.217)		8.90
All Zones	(1)	25,654.80 (3,292.66)	257.79 (403.15)		0.63	10.19 (.14)	-.007 (.072)		.01
	(2)	20,994.31 (6,245.20)	650.35 (620.19)	0.088 (0.101)	1.83	9.19 (0.92)	0.094 (0.117)	0.084 (0.076)	1.89

NOTE : \*Significant at 5 per cent level of significance. Figures in parenthesis indicate the standard errors of the coefficient.

It is noteworthy that the positive value of regression coefficient for Civil Lines zone is due to its predominance nature of residential use. Whereas the Karol Bagh and City, Sadar-Paharganj zones have a mixed type of use, *i.e.*, the residential-cum-commercial which gives the negative value of regression coefficients as stated above.

The coefficient of determination ( $R^2$ ) indicates that in the Civil Lines zone, distance from the core, *i.e.*, CBD accounts for about 35 per cent of the variations in the land values as obtained for the linear equation. Whereas in the case of curvilinear equation, it explains only about 21 per cent of the variations in the land values. In Karol Bagh zone, curvilinear equation explains about 8 per cent of the variations in the land values, as compared to linear one, which accounts for about 3 per cent only. In other zones, *i.e.*, City, Sadar Paharging and South Delhi, there does not appear to be much difference in the value of ( $n^2$ ) between linear and curvilinear equations.

It should be noted that when the relationship has been worked for all the zones combined, explanatory power of model completely breaks down ( $R^2=0.63$ ). This is because of greater variations in the land values between zones, with the result, distance from the core and density of population have failed to play any significant role in explaining the variations in the land values. Our results suggest that there are many other factors as mentioned above, which are operating in the determination of the land values in the zones. Among them, distance from the core is the one, which accounts for about 8 to 35 per cent of variations in land values and variation due to other factors not considered here remain as high as about 65 per cent under both the equations. This implies that unaccounted variables have much to do with the variations in land values in Delhi. Figures. 1 and 2 show the regression equations of distance or land value by type of uses.

In the light of the above analysis, it may be further concluded that the value of intercept 'a' is also an important indicator to ascertain the importance of CBD to the respective zones. Theoretically, it also estimates the hypothetical value of CBD on basis on the value prevalent in respective zones. Greater the value of the intercept 'a' more is the impact of CBD on various zones as the core of all zones in a relative sense.

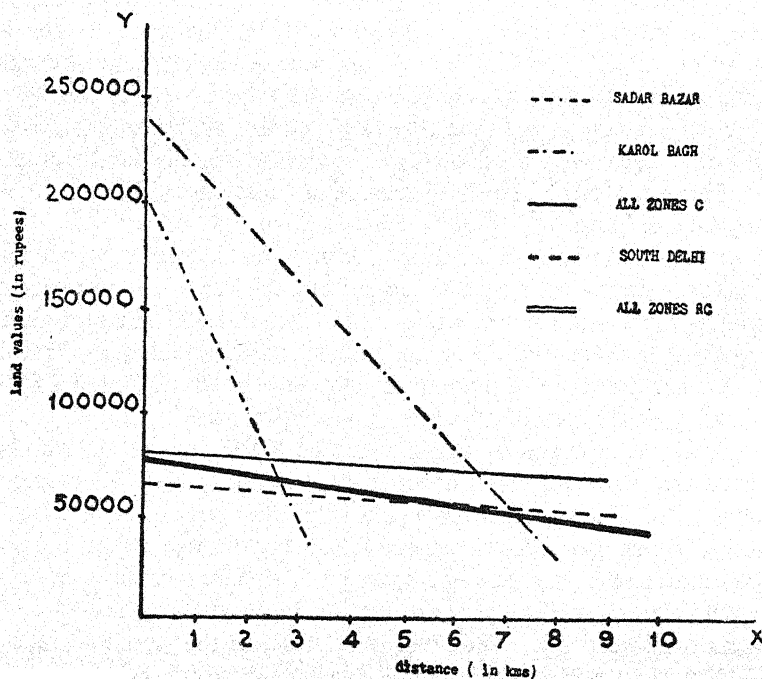
The difference between the actual value of CBD and those hypothetical values are also indicators of the level of influence of CBD on respective zones. It could be seen from Table 4 that more the value 'b' less the value of 'a' which concludes that more is the importance of core to the zones (as indicated by the value of intercept 'a'), more will be the decline or less the increase in value per unit distance increase (as indicated by the regression coefficient 'b'). The intensity of CBD as the centre is reflected more in City, Sadar-Paharganj, less in Karol Bagh, South Delhi, and Civil Lines in that order as indicated by the value of intercept 'a'.

*Commercial*

An analysis of the Table reveals that in Karol Bagh the regression coefficient for distance from core turns out to be significant at 10 per cent level of significance. Negative value of regression coefficient indicates as the distance from the core increases, the land values start decreasing. Also in other zones, *i.e.*, South Delhi, City, Sadar-Paharganj, though the regression coefficients have negative sign but they are not significant. However, the Karol Bagh zone, has got relatively bigger retail shopping complex, and it is quite near to the core area and government offices. This phenomenon is responsible for the fact that as distance increases from the core, the land values decrease significantly.

For Karol Bagh zone, distance from core accounts for about 62 per cent of the variations in the land value, for City, Sadar-Paharganj which is mainly wholesale shopping centre, distance from the core has explained about 17 per cent of the land value differentials, whereas in South Delhi zone only 7 per cent of the variations have been explained by the distance factor. However, at aggregate level combining all zones distance from the core has failed to account for differentials in land values

**REGRESSION EQUATIONS OF LAND VALUES ON DISTANCE  
COMMERCIAL AND RESIDENTIAL-CUM-COMMERCIAL USE**



**Fig. 2**

between zones as has been found above in the case of residential use of land.

Under commercial use, the CBD exerts a strong level of influence in all zones as a core since the value of intercept 'a' is Rs. 79,233.10 which represents the estimated value of CBD in terms of the existing value in all zones. Moreover, the intensity of decline in order by zones is Karol Bagh, City, Sadar-Paharganj and South Delhi. This leads to conclude that insofar as the commercial land values are concerned, there is a tendency of their concentration near the CBD. The simple economic reason being that locations of business houses and firms away from the centre involve high opportunity cost of land including its services and distance away from the centre. The dominance of CBD both on Karol Bagh and City, Sadar-Paharganj also implies more interaction between CBD and these zones and lesser interaction in South Delhi zone in the absence of any sub-central business district, that is why, the value of regression coefficient 'b' is lower in South Delhi zone.

#### *Commercial-Cum-Residence*

The values of standard errors are higher than the regression coefficient in both the models. Therefore, it would be difficult to draw any inference from this category of land-use (see Table 4). This phenomenon may be explained by the confounding effect of both the uses of land as stated above. However, it may be pointed out here that the distance from the core has played relatively greater role in explaining the land value differentials than the density of population of zones.

#### CONCLUSIONS

On the basis of the analysis of empirical findings it has been found out that the value of land is seen to be determined by its immediate product and the productive and locational advantages of one property site over another, but also by the intensity of use.

- (1) The distribution pattern of land values, as of 1971-72, suggests that the value of land declines as the use changes from commercial to residential. The land value in each zone is more for commercial use, less for residential-cum-commercial and the least for residential, also corroborates with the general hypothetical belief.
- (2) The problem of non-representation of land value-ranges in certain zones suggests that there is a significant gap between the value assessed and the actual value existing in the localities.
- (3) The land sells or property rented at different prices for single use or for different uses and even for the same use in different localities and zones of urban Delhi but the use of local and zonal averages serve to minimise the greater-range found among smaller

TABLE 4 REGRESSION COEFFICIENTS AND STANDARD ERRORS OF LINEAR AND CURVILINEAR FUNCTIONS OF COMMERCIAL AND RESIDENTIAL-CUM-COMMERCIAL VALUE IN DIFFERENT ZONES

Name of the Zone	Model No.	Linear			Cobb Douglas			$R^2$ (in percentage)
		Constant (a)	Reg. Coefficients $x_1$	Reg. Coefficients $x_2$	Constant (a)	Reg. Coefficients $x_1$	Reg. Coefficients $x_2$	
Karol Bagh	(1)	2,38,170.03 (83,286.34)	-26,382.13† (11,831.83)	—	14.94 (6.67)	-2.249	—	48.27
South Delhi	(1)	64,885.12 (32,072.80)	-1,722.31 (3,009.17)	—	11.81 (1.25)	-.547 (.543)	—	7.23
Sadar Bazar	(1)	2,10,673.90 (1,31,473.46)	-54,485.79 (49,039.85)	—	11.83 (1.19)	-1.088 (1.321)	—	11.53
All Zones Combined	(1)	79,233.10 (38,445.86)	-1,471.45 (4,500.00)	—	11.14 (0.46)	-.234 (.234)	—	3.45
	(2)	1,055,20.14 (93,452.07)	-3,594.00 (8,240.57)	-0.39 (1.27)	12.95 (3.67)	-0.443 (.481)	-.147 (.296)	4.33
Residential-cum-Commercial	(1)	77,627.35 (25,239.55)	-3,861.43 (4,027.50)	—	11.39 (.494)	-.492 (.310)	—	21.81
	(2)	36,334.05 (1,03,644.6)	-45.26 (10,179.40)	0.52 (1.25)	8.57 (5.89)	-.175 (.734)	.232 (.482)	24.02

NOTE † Significant at 10 per cent level of significance.

Figures in parenthesis indicate the standard errors of the coefficients.



areas. Since values in developing localities are over twice or thrice as high as those in comparable localities of more older areas of Delhi.

- (4) The value of land decreases as the distance increases from the core. The regression analysis undertaken points out that the effect of density is not significant in the land value and at the aggregate level the explanatory power of model completely breaks down; whereas the distance is significant only in a few localities. The negative regression coefficient in all localities for commercial and commercial-cum-residential uses and in localities of three of the four zones under residential uses are in conformity with this general hypothesis, though some confounding uses within the residential use have marred the relationship which otherwise might have given quite consistent results.
- (5) The intensity of Connaught Place as a core to the localities is found to be more as could be generally conclusive, where the decline of land value per unit distance, is found to be more.
- (6) Distance from the core played relatively greater role in explaining the land value differentials than the zonal density of population.

## Appendix I

## INTRA-ZONAL VARIATION IN URBAN LAND VALUES BY USE IN KAROL BAGH ZONE, 1971-72

(Value in Rs.)

Spatial Unit (Name of Locality)	Residential			Commercial			Residential/Commercial		
	Sample Properties	Average Value		Sample Properties	Average value		Sample Properties	Average value	
1. Najafgarh Road	3	51,184		10	50,991		—	—	—
2. W.E.A. Karol Bagh	9	32,095		—	—		1	36,560	
3. Gurudwara Road	1	24,410		—	—		—	—	—
4. Arya Samaj Road	1	31,860		2	1,46,545		—	—	—
5. Ajmal Khan Road	4	45,613		—	—		—	—	—
6. Pusa Road	5	35,240		—	—		—	—	—
7. Original Road	1	24,460		—	—		—	—	—
8. Rohtak Road	2	20,080		—	—		—	—	—
9. Poorvi Marg	5	18,834		1	16,200		—	—	—
10. Bazar Road	1	25,490		—	—		—	—	—
11. Rajender Park	2	28,350		—	—		—	—	—
12. West Patel Nagar	3	26,013		—	—		—	—	—
13. South Patel Nagar	1	18,770		1	19,170		—	—	—
14. East Patel Nagar	1	33,380		1	34,500		—	—	—
15. Naiwala	1	19,550		—	—		—	—	—
Zonal Average	40	32,006		15	58,191		1	36,560	

SOURCE : Office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

## Appendix II

## INTRA-ZONAL VARIATIONS IN LAND VALUE BY USE IN CIVIL LINES ZONE, 1971-72

(Value in Rs.)

Spatial Unit (Name of Locality)	Residential			Commercial			Residential/Commercial		
	Sample Properties	Average Value		Sample Properties	Average value		Sample Properties	Average value	
1. Chabiganj	1	28,520		—	—		—	—	
2. New Chandrawal	1	19,980		—	—		—	—	
3. Jawahar Nagar	2	22,455		—	—		—	—	
4. Kamla Nagar	3	51,127		—	—		1	1,13,940	
5. Kingsway Camp	1	60,750		—	—		—	—	
6. Roop Nagar	1	28,780		1	19,520		—	—	
7. Bara Bazar	1	23,080		—	—		—	—	
8. Bela Road	2	23,155		—	—		—	—	
9. Kashmere Gate	1	29,750		—	—		—	—	
10. Alipur Road	1	21,600		—	—		—	—	
11. Ludlow Castle Road	1	25,870		—	—		—	—	
12. Rajpur Road	1	24,300		—	—		—	—	
13. Lucknow Road	1	27,000		—	—		—	—	
14. Timarpur	2	26,300		—	—		—	—	
15. Delhi University Campus	2	23,145		—	—		—	—	
16. Shorakothi	1	28,760		—	—		—	—	
17. Shakti Nagar	1	25,000		—	—		—	—	
18. Model Town	5	58,312		—	—		—	—	
19. Prem Nagar	—	—		1	4,91,350		—	—	
20. C.C. Colony	1	18,950		—	—		—	—	
Zonal average	29	33,409		2	2,55,435		1	1,13,940	

SOURCE : Office of the Assessor and Collector, Municipal Corporation of Delhi.

## Appendix III

## INTRA-ZONAL VARIATION IN LAND VALUES IN CITY, SADAR-PAHARGANJ ZONE DURING 1971-72

(Value in Rs.)

Spatial Unit (Name of Locality)	Residential		Commercial		Residential/Commercial	
	Sample Properties	Average value	Sample Properties	Average value	Sample Properties	Average Value
1. Jhandewalan	1	—	1	44,560	13	48,058
2. Chitrugupta Road	1	23,610	—	—	—	—
3. M.M. Road	1	44,820	2	35,210	2	30,900
4. Original Road	3	22,430	—	—	—	—
5. Loha Mandi	—	—	—	—	1	1,15,560
6. Jhandewalan Road	—	—	—	—	1	1,42,670
7. Nabi Karim	—	—	1	21,600	—	—
8. Basti Harphool Singh	1	21,060	—	—	—	—
9. Anaj Mandi	—	—	1	64,720	—	—
10. Ghas Mandi	—	—	1	49,600	—	—
11. Pan Mandi	—	—	—	—	—	—
12. Gali Chullehn Wali	—	—	—	—	1	56,860
13. Kutub Road	—	—	—	1	1	22,570
14. Library Road	—	—	3	27,680	—	—
15. Ram Nagar	—	—	1	36,480	—	—
16. Multani Dhanda	3	—	—	—	—	—
17. Chuna Mandi	1	24,770	1	2,55,340	—	—
		19,820	—	—	—	—
Zonal average	11	22,310	10	59,201	19	53,558

SOURCE: Office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

Appendix IV  
INTRA-ZONAL VARIATION IN LAND VALUES BY USE IN SOUTH-DELHI ZONE DURING 1971-72  
(Value in Rs.)

Spatial (Name of Locality)	Residential			Commercial			Residential/Commercial		
	Sample properties	Average value		Sample properties	Average value		Sample properties	Average value	
1. Green Park	5	23,228		—	—		—	—	—
2. Green Park Extn.	4	30,440		1	17,820		—	—	—
3. Hauz Khas	5	18,530		2	20,630		3	24,240	
4. Safdarjung Development Area	13	19,603		—	—		—	—	—
5. Lajpat Nagar (Ring Rd.)	7	34,880		—	—		—	—	—
6. Lajpat Nagar (Pt. IV)	6	52,432		4	30,525		—	—	—
7. West End Colony	11	25,366		—	—		—	—	—
8. Defence Colony	14	27,231		—	—		—	—	—
9. Kailash Colony	5	19,914		1	22,680		—	—	—
10. Greater Kailash	40	24,190		1	35,670		1	16,980	
11. Maharani Bagh	21	29,250		—	—		—	—	—
12. Sunder Nagar	22	26,872		—	—		—	—	—
13. Nizamuddin (West)	3	21,456		1	35,480		—	—	—
14. Nizamuddin (East)	8	32,411		1	69,860		—	—	—
15. Friends Colony	15	28,330		1	86,400		—	—	—
16. South Extension Pt. I & II	12	24,853		19	32,432		1	21,600	
17. Sarvodaya Colony	1	21,600		—	—		—	—	—
18. Shanti Niketan	1	32,400		—	—		—	—	—
19. Anand Niketan	1	16,200		—	—		—	—	—
20. Panch Sheel Colony	1	16,200		—	—		—	—	—
21. Padmini Enclave	3	19,513		—	—		—	—	—
22. Kalkaji Extn.	2	20,425		—	—		—	—	—
23. Ishwar Nagar	—	—		1	1,16,500		—	—	—
24. Kalkaji Road	—	18,950		1	30,460		—	—	—
25. Okhala Indl. Estate	—	—		4	19,923		—	—	—
26. Kilokri Ring Road	1	26,620		—	—		—	—	—
27. Hari Nagar	—	—		1	22,010		—	—	—
28. Jangpura	2	20,170		1	1,02,600		—	—	—
29. East of Kailash	—	—		1	65,050		—	—	—
30. Sewa Nagar	1	21,170		—	—		—	—	—
Zonal average	204	28,054		40	35,410		5	22,260	

SOURCE: Office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

# URBAN HOUSING POLICY

J.B. D'SOUZA

Policy is a big word to apply to our attitudes to the problem of sheltering the people in our towns. In turn we express concern, anxiety, horror and shame at what has happened and what is happening before our eyes. We hold meetings, seminars, symposia, conferences, colloquia, conventions, congresses and consultations—the latest fashionable terms—in great profusion and equal monotony to debate the problem. There is a dismal sameness that marks these exercises: they all tend to happen in pleasant places and at pleasant times of the year; they invariably commence with fanfare and flourish; they end on a satisfying and unanimous conclusion that they were ‘useful’ (to whom, for what, how?); they attract largely the same gang of travelling ‘seminarians’ or ‘congressmen’ who flit from seminar to seminar with astonishing agility and indifference to expense or utility.

In tangible terms, one wonders, have these recurrent extravagances had an effect either on the evolution of a policy, or in speeding up positive action to mitigate our housing problem, or even in spotlighting the nature of the problem or focusing attention on its essence? While we travel from one gathering to another the problem grows in size and gravity. We lament the inadequacy of resources available to meet our difficulties, yet there is a tendency, to squander those resources, to use them in such a way that each lakh of rupees we spend shelters much fewer families than is possible.

Our shortage is enormous: the Fifth Plan Draft estimated the urban housing shortage alone at 6 million units (including 3 million for households living in hutments). During the Plan period the shortage is likely to grow by 5 million units, including a million caused by existing houses needing replacement. To cope with the *total (rural and urban) shortage*, the Plan visualises an outlay of Rs. 580 crores for public housing programmes, apart from Rs. 450 crores for Central Government employees' housing, and Rs. 3640 crores for houses to be built by private agencies.<sup>1</sup>

<sup>1</sup>Government of India, *Draft Fifth Five Year Plan*, Volume II, New Delhi, Planning Commission, 1973, pp. 260-262.

As is well known, this last component will cater only to the upper classes, and even on the questionable assumption that their homes will cost an average of only Rs. 30,000 each, can account for just 1.2 million homes by 1979.

#### CURRENT URBAN HOUSING DEMAND

Let us assume that we try to cope only with the urban problem and restrict our effort to meeting the extra need arising during the Plan period, forgetting the enormous backlog. If the 1.2 million houses we expect in the private sector are excluded, we would then need 3.8 million houses in the public housing programme. On the very conservative and somewhat unrealistic assumption that we could put up these houses at a cost of Rs. 4,000 each, we would need Rs. 1,500 crores simply to end up with the same backlog as we now have Rs. 1,500 crores, as against the Plan allocations of Rs. 580 crores, and Rs. 450 crores merely to stay where we are in the towns, ignoring the rural areas. So we have to run very much faster than our legs will carry us, merely in order to stand still!

But I am falling into the hypnotic trap that this dismal arithmetic induces in so many of our regular seminar-goers. The shortages run into astronomical figures that mesmerise us. The problem is so stupendous that you throw your hands up helplessly; or you confine your attention to the not-so-low-income people who can pay, and who are fewer; or you content yourself with reading pseudo scholarly papers at seminars.

Or else, you lay down a seemingly sophisticated prescription: turn off the flow of migration into our cities, not by anything as draconian as a ban on entry into the cities, but by an enlightened policy of employment dispersal, so that the tide of urban population growth will begin to ebb. Develop employment centres in the rural areas and the housing problems of our towns will vanish overnight.

But will they? Will people really stop flocking to our cities and towns? To think so is to ignore what has been happening the world over. In nearly every country, whether policies of dispersal have been adopted or not, large towns have grown larger while small towns have also grown; metropolitan cities have grown fastest of all. This may be because people come to cities not only in search of employment but also *inter alia*, to secure the anonymity that large cities offer, or to escape the often intolerable social pressures that afflict them in villages. In any case, the process of urbanization is apparently inexorable. No Canutian policies will stem the tide.

Nor is it altogether clear that we ought to stem the tide. This is not the place for a detailed argument, on the merits of dispersal as against concentration. There are various factors in the argument, especially one about regional imbalances and social justice. But if a country aims to

grow as fast as possible in an economic sense, if the goal is maximizing net national product, then is a policy of urban concentration less appropriate than one of dispersal? Is there really such a thing as an optimum size for cities? Does not the 'optimum size' concept, when it is based on facts or calculations at all, rely on a computation of the cost of public services (which admittedly escalate faster than population size) and ignore the benefit side, which seems to escalate even faster?

But the dilemma between dispersal and concentration policies need not detain us, given the fact we have noted earlier, that urban population growth is inevitable. Our urban housing shortage, then, can only get worse, unless we are determined to deal with it, unless we fashion policies that really take account of the limits on resources available to us and discard wishful yearnings for the moon. In this paper, therefore, I shall make a simple assumption; it is a questionable one, given the history of housing effort. It is that we really mean to lick the problem, that we really intend to use the resources available in such a way as to shelter the vast majority of our urban people. What kind of people are these, this huge majority? They are people very near the poverty line, if not below it. Nearly 70 per cent of Bombay's families live on less than Rs. 250 each month.<sup>2</sup> Calcutta's people are still poorer: the percentage is 83 there<sup>3</sup>. The picture is not very much better in our other cities and towns. I assume then that our determination to house the majority of our people necessarily relates to this large under-privileged majority, and that we are not excessively concerned about the fortunate people in the top 20 per cent of the income scale, even if some of them make up the middle class, to which policy makers generally belong.

#### ALLOCATION FOR PUBLIC HOUSING

We know that builders in the private sector do not cater to this class of people. The gains are too low; the risks of loss too high. So it is only the public housing effort that can meet the needs of the bulk of our people. And yet the resources earmarked for public housing form a small proportion of the total outlay in each successive Five Year Plan, as the table on page 197 shows.<sup>4</sup>

It is tempting to deplore this steady reduction, to ascribe to it the plight in which we are *vis-a-vis* housing, to assail the Government for the low priority it apparently attaches to housing, to demand higher allocations in future plans, as though that would solve the problem. Such criticisms,

<sup>2</sup>D. T. Lakdawala, *Economic Survey of Bombay City*.

<sup>3</sup>S.N. Sen, *City of Calcutta : A Socio-Economic Survey*.

<sup>4</sup>A Report of Study Group on Rural Housing, Ministry of Works & Housing, Government of India, March 1975, Table 1.02, p. 66.



## INVESTMENT IN HOUSING UNDER EACH SUCCESSIVE PLAN

<i>Plan</i>	<i>Housing component</i>	<i>Total outlay</i>	<i>Percentage of (2) to (3)</i>
(1)	(2)	(3)	(4)
I	1150	3,360	34
II	1300	6,750	19
III	1550	10,400	15
IV	2800	22,635	12
V	4689	47,561	10

and the related demands, are habitually made at our frequent conferences, symposia and seminars. They overlook two factors. The first, that there inevitably are calls on the Government's resources that simply cannot be denied—the requirements for food production, energy, and related items—if the nation is to progress at all. Surely, housing cannot make a higher claim.

Secondly, we have not really tried to use effectively whatever resources we can spare for housing. Let us find out how we could answer a charge that we have used our resources largely to give houses to the top 15 or 20 per cent in the income scale, or at best for those less well off in this top income group. I believe it will be conceded that the major contributions to the public housing programme, such as it is, have come from the Housing Boards set up in the various States. With a few exceptions these Boards have in recent years built houses at costs ranging from Rs. 7,000 upwards to Rs. 50,000 and more in the larger cities. What does this entail for the allottees? A Rs. 10,000-house allotted on a hire-purchase system involves a monthly instalment of Rs. 66 if the hire-purchase extends over 20 years and the interest rate is an improbably low 5 per cent. If the house is given to the allottee on rent instead of being sold (on hire-purchase) the rent would be about Rs. 42 plus about Rs. 13 to cover maintenance. And then there are, in both the hire-purchase and the rent cases, extra charges for municipal taxes and other services, which would in only a few cases be less than Rs. 22 p.m. (In Bombay these extras would come to about Rs. 40.) Even if the monthly payments due were subsidised to the extent of 50 per cent, as is the case with some of the rental housing for the economically weaker sections (E.W.S.), families given these houses would have to spend between Rs. 38 and Rs. 48 on housing. You have to be lucky enough to get a subsidised house and if you do, your income has to be between Rs. 380 and Rs. 480 for you to be able to spare so much every month. If there is no 50 per cent subsidy you must earn at least Rs. 760 to be able to live in Rs. 10,000-houses. Now this rules out all but the highest 10 per cent of our urban households. Thus

houses that cost Rs. 10,000 or more are clearly beyond the reach of most to our people. Even a house built at half that cost is ruled out for 80 per cent of our urban population, unless it is heavily subsidised. We shall deal with the pitfalls of heavy subsidies later in this paper. If there is no heavy subsidy, and if we still persist in our determination to house the bulk of our people, the public housing programme evidently has to stop building houses at costs higher than even Rs. 5,000 except perhaps : (1) in numbers proportional to the size of the population that can pay for them, or (2) in our effort to raise resources for the programme by heavily overcharging the middle and upper classes for houses built for them.

Has the effort we have made so far been characterised by either of these conditions? Most of the 'low-cost' houses we put up are so expensive that they serve only the lower-middle classes, not the poor. We often delude ourselves by allotting them to people who falsely declare their incomes below their real level. Recent surveys<sup>5</sup> of occupancy made by HUDCO showed that 73 per cent of some Rs. 8,600-houses built for families with income below Rs. 350 a month were occupied by households with higher incomes. In houses costing Rs. 10,000 built for such people about 90 per cent were occupied by families that were better off. Nearly 60 per cent of the houses had been sub-let. Very often we defend such allotments with specious arguments that houses of a reasonable standard should be built for those who can pay, and that there is no demand from the really poor. Naturally there will be no demand from the really poor for houses for which it is beyond their means to pay. The real challenge to our planners is to house the vast majority of our people in the lowest income classes.

#### SAFETY DESIGNS—BUT AT WHAT COST ?

I have deliberately used the word 'planners', and have not referred to engineers as such in that last sentence. Should we rely on our engineers for a solution any longer? We have gone to our engineers with this problem for years, and have steadily got good, solid, safe design answers that turned out to be more mechanised, more technically advanced, greedier in their use of scarce resources like cement and steel—and, naturally, more expensive. Of course, they have been safer and more durable solutions, but are we searching for durability at such high cost? Is it sensible to dangle before a family that can barely pay for what it needs to eat, a house guaranteed to last 50 years, but the payments for which will eat up half or at least a third of its income? A cheaper house designed for a much shorter life-span may meet its need; during that span the occupants will undoubtedly find the wherewithal to repair and renew it. Do we not daily witness applica-

<sup>5</sup>*Household Surveys of Allottees of HUDCO Financed Houses*, Housing & Urban Development Corporation (Unpublished Manuscript), April 1975, September 1975.

tions of the concept of renewability in housing, both in the rural areas and in our urban slums?

Safety too can be an overplayed theme. An impression has been successfully spread that the high-rise concrete monsters which now disfigure our cities are highly fire-resistant and their occupants are largely immune to fire hazards. Serving on a committee that the Maharashtra Government appointed a year or two ago on this problem, I discovered how untrue this was. I found that for various reasons, and despite precautionary rules, the skyscrapers in Bombay were virtual death traps for their occupants to an extent that no squatter hutments could be. Turning to structural safety, I believe it is easy to show how building costs in the public housing effort are jacked up by reckless multiplication of safety factors. In a recent project near Delhi the local engineers rejected a cheap design that HUDCO had proposed although they had to admit its soundness from a structural point of view. It was only 'just safe', they admitted, but yet not good enough. You must allow for contractors' malfeasance in execution and the local engineers' failures in supervision. So you add safety factors and costs. Who eventually pays for such failures in supervision that lead to expensive overdesigning?

It would be facile to conclude from such considerations, and it would be equally foolhardy for me to suggest, that the principal obstacles to an effective solution of the housing problem are the attitudes or the quality or the integrity of our civil engineers concerned with the housing effort. Such a hasty generalisation would overlook the innovative efforts of the institutions like the Central Building Research Institute at Roorkee, which has persistently sought for cheaper solutions. It is unfortunate that its solutions have not gained wider acceptance, and that, by and large, houses for the poor are being designed with little regard to such solutions.

#### HOUSING NORMS NEED DRASTIC CHANGE

It is useful at this stage to ask ourselves what we really mean by a house, because some of the misdirections to which I have referred in the earlier paragraphs stem from our preconceived notions about acceptable standards. By and large, we are apt to think of a house purely in terms of brick and concrete and cement and steel, in terms of a building life of 50 to 60 years, in terms of a right to privacy, and with some attendant characteristics and norms affecting the number and size of the rooms, the width of the walls, the floor-to-ceiling height, the number of windows. Most houses in our cities get built according to norms born of these preconceived notions which are largely the creation of the elitist upbringing of our designers. We seldom pause to think that a house may mean something different to the poor people who are to occupy it. And who, after all, is better qualified to decide on the nature and characteristics of a home

than its occupants? Do they emphasise privacy, for instance, as much as we do? Do we really consider and study in depth the quality of life in what we regard as slums or do we accept too readily the opinion that they are undesirable dens of vice and disease? In a careful and perceptive study of a Madras squatter slum, published<sup>6</sup> in 1975, Paul Wiebe successfully refutes the common impressions people carry about these settlements as being "areas of darkness, despair and poverty". He finds no indication to support the view that the social effects of slum living may include "family disintegration, the debasing of marriage and the deterioration of youth through parental neglect"; or that such a slum is "a squalid festering morass of lost hope, debased standards and despair". Wiebe writes :

Now, no one would doubt that the poor of India's slums are disadvantaged in various ways. Certainly, many of them know difficulties in providing food, medical care, education, and other opportunities for themselves and their children. Then too, evaluations like those (contained in the quotations above) no doubt are born out of concern for the welfare of the poor. But such evaluations, also, strike of the arrogance of knowing about what the poor need, want, and suffer from without the poor themselves having had the chance to participate in the development of the definitions. None of the evaluations just referred to are based on adequate empirical investigations, and all of them 'measure' the poor using standards that at least in ways are inappropriate.

Actually, several million of our urban people live in such shanty towns, in more or less the same kind of dwellings that they occupy in the villages from which they come. We do not generally deplore this style of housing in the villages, and yet we discard it completely for the towns, although there is increasing evidence to show that shanty town dwellers regard their own hutments as acceptable dwellings. Moreover, we seldom think it important to provide dwellings at a cost within the paying capacity of the occupants. In the squatter area that Wiebe studied.<sup>7</sup>

The typical...house is about fourteen by ten feet in dimensions. It commonly has a small hole in one wall that serves as a window, and a doorway that can be closed with a wooden or thatch door. Its floor and walls are surfaced with a mixture of cowdung and dirt and a similar mixture surfaces the area by the doorway. Just as in rural India, this mixture serves well when it is carefully applied and periodically touched up. It is cheap, and when dry, provides for an easily cleaned

<sup>6</sup>Paul D. Wiebe, *Social Life in an Indian Slum*, Delhi Vikas Publishing House Pvt. Ltd., 1975, p. 4.

<sup>7</sup>Wiebe, *op. cit.*, p. 41.

and hard surface. A little cooking area can commonly be found in one corner of the...hut, the family's religious centre, with pictures of some of the favoured deities in another. The thatch roof commonly leaks in the heaviest rains but most of the time gives adequate shelter. The... hut represents an investment of about Rs. 300; the roof cost about Rs. 150, the rest of the house the balance.

Our benevolent, paternalistic attitudes lead us to copy and adopt norms, definitions, and specifications from the building codes of developed countries. We stipulate standards that deny to the bulk of our people acceptable and economic homes. To offset these unpractical arrangements, we tend to declare with some unction that poor people's housing must be subsidised. But there are serious defects in a subsidy system. Firstly, since it involves outright Governmental expenditure it is always limited in size to what the Government can spare in its yearly budgets. In the past two decades, these constraints have limited the size of our housing programmes, which could have been much larger had they sought instead to evoke the people's own contributions, in labour and savings. Apart from this, subsidies in housing programmes lead to a transfer of the house, because the difference in the market value and the subsidised price is a great temptation to original allottees to encash this difference by sale to people who are better off. The original allottees then go back to their shanty towns, which they can afford, and where, one can infer, they were comfortable.

Would it not be preferable to use whatever subsidy money there is, to make the sites chosen for public housing more acceptable and livable? For instance, subsidies could be used to provide or improve medical care, or else to provide bus transport at lower cost, so that even outlying locations would be more tolerable to the occupants of our housing colonies.

Once you reject the direct subsidy solutions, you come up against the paradox that it is chiefly the generous standards you have adopted as minimum that prevent effective solutions to our housing problems. You apply these standards indiscriminately; and they keep you both from seeing or noticing the ever-growing shanty towns that house those who can't afford your standards, and from doing anything to improve them : you are afraid even to charge them a rent for the land they occupy, for fear of legitimizing the occupation.

Our insistence on minimum standards related to brick and cement and steel clearly keeps a multitude of our people living in misery on the street without shelter, while a privileged few, mostly the less poor, get the comforts of brick walls, concrete roofs and privacy. In what respect does this differ from a policy, in a period of food scarcity, that allows two square meals a day to a few selected ones while the vast majority have to make do with half a meal or none at all, on the plea that two square meals are the minimum nourishment a human being needs?

## SQUATTER COLONIES

I suggest, then, that in its present state of poverty our country has no alternative to legitimising our squatter colonies. I believe the only urban housing policy that has the slightest chance of success is one of which the principal feature is a *plan* for similar colonies on a large scale, where settlers get only small plots on which they put up whatever dwellings they can afford, with materials that they collect from scrapyards and elsewhere, dwellings that they will improve piecemeal as their own condition improves. As P. Ramachandran writes:

What is required is a...scheme which will help temporarily solve the problem and yet provided the spring-board for later permanent solutions. And such scheme must take into account two facts, *viz.*, that the resources at our disposal are extremely limited, and that there is no point, when the problem is so gigantic, to talk in terms of decent housing. What we should talk of is decent locality. There is also no point in importing into the discussion standards of privacy and spaciousness. The people living in these slums do not have either of them now and they do not seem to be too keen on having them either.<sup>8</sup>

It is only by evoking the settlers' own effort that housing on a mass scale will come up in a short time. Such colonies will, of course, differ from the present shanty colonies that we ignore or endure; they will be well laid out and well provided with all the municipal services, so that the environment remains satisfactory. But they will be cheap, *and the settlers will pay for* the plots they get and the services provided. Only on such a self-supporting basis can we hope to sustain a housing policy. This will clearly call for a drastic revision of our norms, concepts of 'minimum standards', indeed our entire building codes. It calls for a complete change of our notions of a 'house'.

Our notions need change in another direction as well. We have tended generally to place our housing colonies for the poorer classes out of sight and far away from the employment centres. We do this because our susceptibilities are hurt by what we regard as shabby developments, which we are loth to tolerate in our midst. We find an economic reasons of course to mask our fastidiousness. Land near the work places, we say, is too scare and too expensive to be used for houses for the poor. It could fetch far higher returns by use for upper class houses. And we shed a tear too; what a pity to burden the poor with the high costs of well-located land! Valid sounding rationalisation, no doubt, till you remember that peripheral

<sup>8</sup>P. Ramachandran, "A Note on Facts and Solutions" in A.R. Desai, and S.D. Pillai, (eds.) *Slums and Urbanisations*, Bombay, Popular Prakashan, 1970, p. 168.

locations for the poor involve an additional transport cost for their home-to-work travel, which generally more than offsets the saving secured by using cheaper land, and thus takes the effective rent level or hire-purchase instalment level beyond the settlers' reach.

Even the theory of land scarcity often has a mythical character. We are almost invariably told that no land is available in a particular urban area for public use, including housing—a version that is nearly as often contradicted by our visual experience as we move around the area ourselves. Even the southern island of Bombay city, generally thought to be one of the most densely packed areas in the country, has large tracts of unused land, unfortunately not easily available for use because of private ownership. A scholar who recently studied Bombay reports :

The intensity of land use in cities in almost all developing countries is notoriously poor. Apart from the relatively undeveloped areas of Colaba held by the Defence Department (564 acres in Ward A)—an area of extraordinary commercial value and ideal for residential purpose to relieve the commuter flow from the North—nearly a third of the land in four island wards (including the two largest ones, F and G) is devoted to recreation, open space, waste, etc. In a ward only 17 per cent of the land in this category is actually devoted to recreational purposes; 19 per cent in F Ward, and 45 per cent in G Ward. Land use surveys on this scale cannot detect the misuse of land in detail (and it is here that the most extraordinary examples of misutilisation arise), but even the crude figures suggest the limits to the popular planning notion that the problems of Bombay derive from the sheer physical shortage of land. There is a great deal of misused or unused land—481 acres of non-recreational open land in G Ward, 65 acres of cemetery in D Ward and 40 in F Ward, 1247 acres of salt pans and marshes in F Ward and so on. Even if such areas were converted into parks, this would be a considerable relief to one set of Bombay's problems. If the Defence Department holding in Colaba—which has no economic nor security rationale—were settled at the average density for Bombay island, it would take over 100,000 inhabitants; at the average density of D Ward, 400,000 (and at the remarkable density of Bhuleshwar district, nearly 830,000).<sup>9</sup>

The legislation now contemplated to bring about urban land reform will, one hopes, yield at a reasonable cost a large addition to the area in our cities available for public housing and make it possible to locate housing projects near the work centres of the people for whom they are

<sup>9</sup>Nigel Harris, *Planning the Future of Bombay* (Unpublished Manuscript).



meant. Our concept of an acceptable 'house' should take account of its location relative to employment areas.

One of the unfortunate features of our housing problem is the paradox we have seen, that norms and minimum standards fixed for houses out of a humane concern for our poor people, out of a desire to provide them with a 'decent' dwelling, have had the effect of closing the door on them and diverting the benefit to those less in need. There is yet another paradox that bedevils the problem, a paradox that is no less disastrous. Here too the difficulty arises out of an anxiety to protect the interests of the underdog. It consists in this, that the tenancy and rent control law that applies in a number of our cities, endemic judicial delays in disposal of civil suits, and the tendency of judicial tribunals to protect tenants from landlords, debtors from creditors—all these combine to make the occupants of houses, whether tenants or hire-purchasers, very hard to evict even for prolonged defaults. This is an invitation to default, and makes it very risky for banks and other financial institutions to lend money to private people for house construction, as they commonly do in many other countries. In both the U.K. and the U.S. a very large part of the housing effort is financed by banks, building societies and savings-and-loan associations. These two latter groups collect individual savings and lend them out to those who want to buy a house. They, and the banks too, are able to conduct these operations successfully because defaults so certainly and speedily lead to the defaulters' eviction. Precisely for this reason, in fact, defaults and the consequent evictions are rare. In our country the difficulty and delay that offset the process of enforcement of obligations cause a vacuum in the financial arrangements available to would-be house builders.

Rent control is another negative feature in our housing picture. By freezing rents at levels that obtained decades ago, after which costs of maintenance have escalated enormously, rent control makes it less and less possible for landlords to keep their houses in good condition. Thus neglected, the housing stock runs down far too rapidly and is prematurely depleted—an outcome that is scarcely in the country's interest. Not does rent control ultimately play the role for which it is intended—that of protecting the tenant underdog from the rapacity of his landlord. The tenant acquires an interest in his tenancy, which albeit illegally, he is increasingly able to convert into cash as the gap between his controlled rent and the tenancy's market value widens. Eventually he sells out or sublets, and uses his gains to move, generally to better housing. Should rent control laws be operating to subsidise a limited group of people in this fashion and eventually to accelerate the decay of the very housing stock that the nation and its poor need so badly?



## CONCLUSION

Can we now summarize some of the prerequisites to the formulation of our urban housing policy, or even some of the ingredients of that policy? It is, I think, clear that, first and most important, we have to decide that housing *must* be provided to the poorest people, who make up so large a part of our nation, people whose monthly household incomes fall short of Rs. 500, or Rs. 300, or even Rs. 200.

Secondly, we must settle what we mean by a house. This needs a basic change of attitudes, partly because our present notions take the problem entirely beyond the limits of our resources, partly because the people for whom our houses, are meant have quite different ideas on the subject from the elite who profess to plan and build for them, and partly in order to evoke an investment of the people's own skills. We must realize that the squatter slums that we deplore so unctuously can provide a clue to the answer we seek if their environment can be made wholesome enough, that planned 'Sites and Services' projects on a sufficient scale and conveniently located with respect to work places will provide shelter to the greatest number of families, relative to each rupee, or lakh of rupees, that we spend on the public housing effort. Indeed, this should be the criterion for investment in housing, *viz.*, the number of people sheltered per unit of expenditure.

This will call for quite radical changes in our building codes and by-laws which today frown on the only solutions that are possible. Obviously then, our quest for solutions must rely rather on methods to bring about changes of attitudes to cheap housing among our elite than on technology.

Implicit in our argument is an abandonment of direct subsidy policies, whether in the field of public housing or in the private sector, where rent control leads to premature depletion of the already inadequate housing stock.

The classes of people above the Rs. 500-a-month income level<sup>10</sup> are few enough (less than 15 per cent) to be ignored by the public housing programme. Provided our laws about eviction of defaulters can be rationalized and our judicial process speeded up, they should be able to secure finance for hire-purchasing of land and houses from the banks or the Life Insurance Corporation.

Finally, we look forward to better utilization of land in our urban areas, especially in view of the coming urban land reform.

The solution is not simple—it never is. But it calls for a realism that has eluded us for years. Can we afford to pretend any longer that we have been concerned about housing the poorest, or to ignore the misdirection of our efforts that has resulted in a benefit to the top 15 per cent or 20 per cent in the income scale?

<sup>10</sup>All India Household Survey of Income, Saving and Consumer Expenditure, New Delhi, National Council of Applied Economic Research, 1972.

# URBAN COMMUNITY DEVELOPMENT AND COMMUNITY SERVICES

SUBHASH CHANDRA

## THE BACK-DROP

"God made the country and man made the town" said Cowper, but this man-made innovation has not much to boast of. Practically any five-point list of the serious problems of our contemporary civilization is likely to include in one cryptic variation or another, a reference to the problem of urban living. To Louis Mumford, the whole pattern of urban living is an excrescence so far removed from our ideal as to demand total revolution in the design of living.

In the Indian context, urbanization is accelerating so fast that it has overtaken the rate at which the general population is growing. In the ten years between 1961 and 1971 the number of people in India's urban areas grew by nearly 38 per cent while the overall population increased by about 25 per cent. With the population of 109 million in 1971, as against 78.8 million in 1961, urban India ranks as one of the biggest countries in the world. The number of towns increased from 2,700 in 1961 to 3,121 in 1971 of which 150 towns had a population of one lakh or more. • A quarter of India's urban population, however, lives in 10 cities, nine of which have a population of more than 10 lakhs.

A concomitant of urbanization in India has been the proliferation of slums which has assumed unimaginable dimensions. The invasion of cities by destitute village and other populations has continued unabated. Utterly helpless and poor and with no skills of any kind to facilitate their absorption into the urban economy, the new immigrants at once become a burden and menace to their places of emigration. Besides contributing to the prevailing congestion and confusion they claim a share in the rapidly deteriorating civic amenities such as water supply, housing, sanitation, hospital facilities. The municipal administration which has in general been not known for efficiency, helplessly watches the growing urban chaos. No serious attempts are being made to stem this urban rot. Local bodies do not have adequate funds and resources to grapple with the stupendous problem of urban reconstruction. The structure as well

as the jurisdiction of local government is far short of what is needed to provide essential services effectively.

The urban poor have no alternative but to live in a squalid chaos of tenements, hovels and shacks huddled together in narrow congested streets, alleys and lanes with almost, a total lack of proper drains, latrines, water taps and street lighting. Anti-social behaviour such as crime, delinquency, prostitution and alcoholism, etc., are not unusual. Dissatisfaction and frustrations arising out of these conditions have serious repercussions on the stability of urban living.

It is in due recognition of these factors that the Government of India is seeking to regulate the growth of cities with several measures of urban planning. The urgency of urban planning has been scratching the conscience of the city planners. The First Five Year Plan looked at the urban problem as merely a housing problem. Approximately 1.3 million urban houses were added in both the public and private sectors. In the Second Plan, the allocation was doubled but it hardly touched fringes of the problem. Third Five Year Plan gave more thought to the problem and recognising that urbanization was the immediate outcome of industrialization, proper dispersal and location of industry as also greater coordination between different agencies concerned with urban planning was suggested. The plan also drew pointed attention to the social and economic consequences of rapid growth of urban population and laid particular emphasis on programmes of social and environmental change in urban communities despite their large size, higher density and greater heterogeneity.

The Fourth Five Year Plan indicated a closer look at the problem and observed that "Slum clearnace led to the creation of new slums and deterioration of conditions in some of the older slums. In cities where the slum population is large, this approach would not be effective and it would be necessary to try to ameliorate the living conditions of slum dwellers as an immediate measure." The plans suggested greater emphasis on limiting the rise in the prices prices of land, providing financial assistance to cooperatives and private effort and assuming legal powers for reconditioning of slums. It hoped that their would be greater coordination between all the agencies including those of public health, housing sanitation, transportation, water supply cultural development and general well-being.

#### THE PROBLEM

Despite sound approaches and concerted planning very little could happen by way of implementation of various plans evolved in successive five year plans. As a matter of fact the discussion of urban development has tended to proceed in certain set grooves. The talk of the economic virtues of urban development is countered by an expression of serious concern for the social evils that grow with urbanization. Suggestions for

sophisticated techniques of town planning are offset by the so-called practical realities of civic administration and general apathy of urban populace.

However, it has been widely recognised that the planning authorities will have to be well seized of the seriousness and urgency of the urban explosions and that the policy and strategy must meet the urgency of the problem. The policy should undoubtedly have a long-term perspective and also short-term measures in step with the distant goals. The feeble, halting, incomplete and disconcerted measures of the past have to give place to a comprehensive, integrated and coordinated policy to be put through on an emergency footing. It has also been realized that unless programmes of slum clearance and settlement of slum dwellers are drawn on a more realistic basis relating them to economic opportunities and provisions of social services and social welfare services, the results may well turn out to be frustrating. Mobilization of massive resources for urban development and coordination of the efforts of public and private agencies are two factors which govern the success of urban development in relation to its physical and economic aspects. For a long time, all the attention was paid to material structures and infrastructures; the 'human factor' was relegated to the background. Very limited means were given to foster the formation of the appropriate instruments of socio-cultural interventions which aim at increasing citizens participation in the task of community reconstruction. An urban development programme confined to the physical improvement of shanty towns can reach its limits very soon. Unless a socio-economic content is introduced in urban development programmes, there would not be incentive enough for sustaining such efforts.

Another factor which has been identified as a barrier in the development of urban local government is the lack of urban traditions and an urban way of life among the vast majority of city dwellers. The attitudes, values and behaviour patterns of rural immigrants differ considerably from those of the town dwellers. This cultural and behavioural hiatus between several layers of differentially urbanised populace fails to produce the sense of cohesion, and results in the lack of integration and a sense of commitment to improve the quality of urban living. Their allegiance is primarily to caste or religious groups rather than to the local community.

A particular characteristic of rapidly expanding urban areas has been the ever-increasing institutionalization of society and the individualization of man. Institutionalisation can be seen in the scope of governmental, municipal and non-governmental services in the city. Government has grown larger, there are more specialists to take care of varied services, and the active participation of individual people in the improvement of urban society has correspondingly diminished. As a consequence an ordinary citizen has become less and less articulate and makes fewer contributions to the decisions that shape his own destiny or the collective

destiny. The democratic experience, whereby the voice of the ordinary citizen at the local grassroots can be heard in higher level decisions, is lost. Even non-governmental or voluntary agencies are frequently cut off from those whose needs they presumably serve. Some way needs to be found in which urban residents, particularly those living in depressed areas, can develop a sense of community, of importance and unity within the structure of the city. Another problem is to find some way to speed up the process of change in slum areas and, at the same time, to affect large numbers of people.

#### URBAN COMMUNITY DEVELOPMENT : A MODE OF INTERVENTION

Urban community development has emerged as a possible form of intervention to solve some of the problem of the city in general and of the slum in particular. It involves two fundamental ideas : the development of effective community feeling within an urban context and the development of self-help and citizen participation in seeking community integration and change.

Basically, urban community development is a social process by which city dwellers can become more competent to live with and gain some control over local aspects of a frustrating and changing world. It involves cooperative efforts, group decisions, collective action, and joint evaluation leading to continuous action. It calls for utilization of all helping professions and agencies, both voluntary and government, local and outside, that can assist in problem solving. The personal betterment is brought about in the midst of social action that serves a growing awareness of community needs.

In India, the first urban community development project was initiated in 1958 in Delhi with the help of a grant from the Ford Foundation. It was subsequently followed by Ahmedabad (1962), Baroda (1965) and Calcutta (1966) Projects. Then in the year 1966, 14 pilot projects, spread almost all over the country, were sponsored by the Union Ministry of Health. These projects were conceived as exceptional outside agents, who were to define the most urgent needs in the service areas and the most appropriate mode of intervention, and then were to undertake the task of stimulating the indispensable participation of the forces, public and private. In other words, they were to act as catalysts in a developmental process whose major actors were to be the state, the local body, voluntary organizations on the one side and the local population on the other.

The objectives of urban community development incorporate the following operative elements.

- (i) Creating a sense of social coherence;
- ii) Promoting a sense of national integration;

- (iii) Developing belongingness to the urban community;
- (iv) Creating a way of thinking and improving problem solving capacity;
- (v) Bringing about a change in attitude;
- (vi) Developing local initiative; and
- (vii) Ensuring fuller utilisation of technical and welfare services.

These goals are to be achieved through corporate civic action, participation of people in community affairs, experiences in using their own initiative for self-help and mutual aid, constant motivational efforts to activate the community for collective action, help and guidance in identifying local initiative and training local leaders; and through helping the community to locate sources, municipal, governmental and non-governmental, from where the technical and welfare services can be made available.

The emerging methodology of urban community development supports the conviction that social improvement does not occur until the people involved believe that improvement is possible. The people must be sufficiently convinced to take the initiative. The fact that they may be mired in apathy does not preclude their growing into the self-confidence of responsibility. As people are brought to feel a sense of community and to adopt goals that serve their growing concept of community, the conviction that they are able to contribute to social improvement seems to increase in them. The following operative principles govern the processes of urban community development :

1. The process depends upon the formation of a community—serving small group—or the utilization of one already in existence. The start may be made with a single group or nucleus, but may proliferate into sub-associations of many similar groups. The intimate relationship of participants in small groups is important for the development of personal competence and initiative.
2. Though the process starts with a few people and continues through the actions of small groups, it is holistic, *i.e.*, it seeks local wholeness that includes all people, all sections of the community.
3. The people's desire for change must precede any successful development action, as permanent change will come only as a community sees the need for the change and as the capacity for making such changes is developed by the group.
4. The urban community development worker assumes the responsibility of activating and energising the process, he influences growth toward self-direction.

5. The process becomes more effective when a collaborative effort involves the work of all institutions, agencies and helping professions. The community approach should seek to be locally all-inclusive.

Operational processes of urban community development involve several phases as indicated in the Flow Chart.

The community organiser is the keyfunctionary to the programme. His role is that of a catalyst and he is expected to initiate a process which is self-reliant, democratic and self-sustaining. Activities initiated to develop local initiative and skills are likely to contribute to this end. He has to use problem solving activity as medium for improving people's motivations, competence and confidence. He, along with other functionaries of the programme, has to strengthen and increase the effectiveness of the relationship between government departments, voluntary agencies and the people of the community.

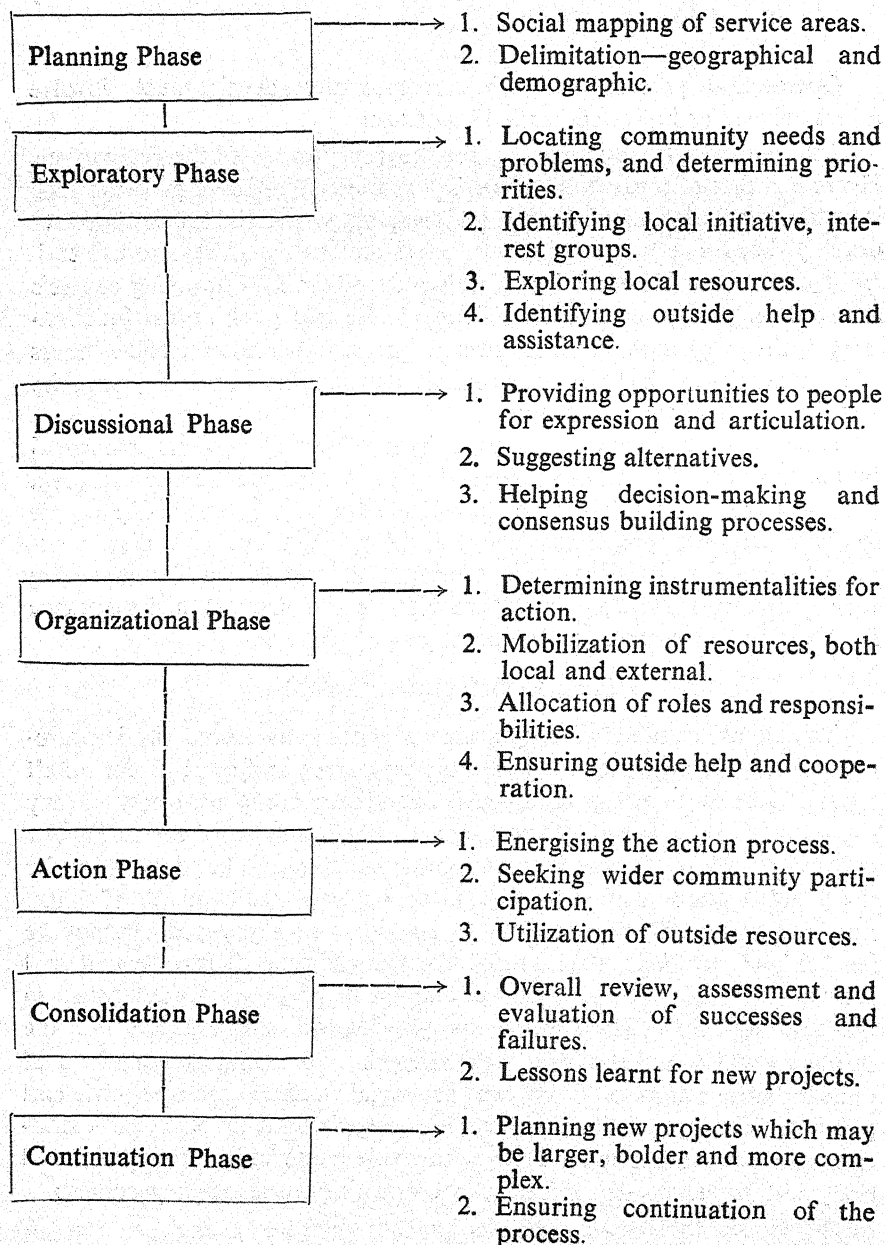
A recent study\* of urban community development projects sponsored by the Ministry of Health has revealed that urban community development projects have been able to make appreciable headway by sensitising people to their needs and problems, bringing their aspirations and discontentment to surface, arousing their interest and enthusiasm for improving their conditions of living, and mobilizing the support and assistance from various government and voluntary agencies.

#### THE COORDINATION STRATEGY

To achieve an effective programme of continuous community improvement and reconstruction requires the resources and involvement of all types of groups working on many facets of community problems. Many programmes have been launched and are being launched for curing our urban ills. Most of these programmes stress thing to be done to or for the people—more relief, more and better housing, the clean up of slums, nutrition and health measures, and so on. All these programmes are needed but they lack the essential elements of people's involvement and their development. Community development processes are addressed to this essential need. These processes provide, not the answers, but the means by which citizens can seek answers. Some important sources of outside intervention or help can be social welfare agencies, civic and philanthropic organisations, professional associations, educational institutions, business houses and industry, charitable trusts and endowments, local body and its various departments, and various government departments.

\*Evaluation Study of Urban Community Development Projects, Central Institute of Research and Training in Public Cooperation, New Delhi, 1972.

# OPERATIONAL FLOW CHART





Social welfare agencies, both privately financed and tax supported, include services to practically every kind of human handicap, but are generally circumscribed by the rules and regulations and their limited approach. They will welcome intelligent and informed help from urban community development nucleus as this will put them in contact with their potential clientele and will ensure fuller and better utilization of their resources. Civic associations and philanthropic organizations such as Rotary, Lions, Masons, Chambers of Commerce, Clubs and societies are generally anxious for the opportunity to cooperate at least financially. Urban community development programme can provide them a local nucleus for their programmes. Educational and professional institutions have vast resources in terms of their extension services, skills in survey and research, consultancy services of various kinds, etc. The All India Institute of Medical Sciences recently announced a shift in emphasis in medical education from specialisation to training of community oriented doctors—where each medical student will be assigned some families whose health and disease pattern will be followed by him over a period. Similarly, the proposed scheme of setting up 'Model Community Schools' can also be functionally linked with the programme of urban community development. Charitable trusts and endowments can also be effectively roped in for providing financial support for community services that come closest to their stated objectives.

The efficiency and effective functioning of local bodies and standard of services provided by them depend not only on the organizational procedures, financial capabilities and administrative and technical competence of the municipal personnel but also the interest, understanding and cooperation of the citizens. Urban community development programme can assist the local body toward this end by educating, orienting and organizing local communities and helping them to adopt right procedures and follow proper channels to ensure redress of their problems and grievances. It can enlist the cooperation of local people for undertaking self-help activities which can supplement and expedite the provision of physical and civic amenities. On the other hand, the programme can draw the attention of the municipal body on the problems of the area and can mobilize greater departmental action and attention.

Similar functional linkages can be established with state departments which have been set up to serve some specific function such as employment, social welfare, relief and rehabilitation, small scale industries, housing, health, education, etc. The Central Government has also been increasing its agencies and programmes that can provide help to local initiative and can offer much-needed structural support by way of resources and programmes. The Union Ministry of Works and Housing has recently launched a scheme for environmental improvement of slum areas which provides for cent per cent grants to the states. Confined to 11

metropolitan cities, each with a population of 8 lakhs or more, the scheme envisages provision of basic human necessities such as dispensaries, primary schools, community facilities and other civic amenities. The Centre has earmarked Rs. 20 crores for the scheme. Schemes for this nature can provide tremendous support to the programme of urban community development and *vice versa*. Their mutually reinforcing roles can result in spectacular progress towards urban reconstruction.

### CONCLUSION

The staggering problems of the city are too enormous for the local bodies to solve them. Government resources also seem to be inadequate to cope with stupendous problems that our cities in general and its depressed areas in particular throw up continuously. Mere tinkering with the problem will lead to serious social upheaval which ultimately may overwhelm the entire social order. The slums and depressed areas of our cities are simmering, boiling with unrest as conditions of existence have reached crisis points; only a spark is needed to set off violence. Only way in which this situation can be dealt effectively is through corporate civic action, organized and directed by people themselves and reinforced by all technical and administrative services required for urban reconstruction.

Urban community development programme is the first and only programme devised to help the urban poor at their own levels. The performance of these projects have demonstrated their potentials the fruition of which will require adequate support and help from urban planners and administrators. The whole idea of urban community development has to take the shape of a movement where the entire city, its engineers, lawyers educators, doctors, businessmen, industrialists, administrators and political workers share the concern for improving the city life in general and the lot of the urban poor in particular. They will have to mobilize their resources and skills and invest it in the task of city reconstruction. The urban community development programme will act as a catalyst to generate, release and channelise this vast reservoir of voluntary effort at various levels.

The main aim should be the coordination of all interventions. It is impossible to continue on the way of specific and limited interventions. Situations are to be analysed more accurately and realistically and with more scientific instrument than in the past, thus providing the administrative, executive and field staff with the knowledge and skills needed for operative interventions different from the traditional ones.

# DEMAND ARTICULATION AND CIVIC INVOLVEMENT IN URBAN NEIGHBOURHOODS

NIRANJAN PANT

The process by which individuals and groups make demand upon the political decision makers is called 'interest articulation', by Almond and Powell.<sup>1</sup> But we would prefer to call it 'demands articulation', because we are not treating citizens as interest groups *per se*. Demands may be articulated in many different ways, e.g., writing applications, raising protests, making representations, issuing statements, etc. If an individual attempts to use a particular mode of demand articulation in relation to government, one would expect: (i) that he believes that this resource offers a valuable base for influence over government officials; (ii) that the resource is available to him, and (iii) that there is a special reason in making the political use of this resource.

Whether the people live in decent localities or in slum areas, in affluent or in not so affluent suburbs, in small towns or in metropolitan cities, they find neighbourly relationships difficult to maintain and less than satisfying. The loss of community reality and participation jeopardizes many values of the democratic tradition. The generous impulses that grow out of an awareness of local common good are weakened. As a result, the ordinary citizen becomes less and less articulate and makes fewer contributions to the decisions that shape his own destiny or the collective destiny. Community involvement and collective efforts for solving neighbourhood problems are the first steps towards the realization of larger goals of democracy and development.<sup>2</sup> The problem is not how 5,000 Aristotles can run a democracy, but how we can organize a community of 5,000 people so that it remains sensitive to their needs.

Civic culture, of which Verba and Almond talk extensively in their famous book bearing the same title, lays stress on the participation of individuals in the political input process. The propensity to work with others in attempting to influence the government is what they call 'civic

<sup>1</sup>G.A. Almond and G.B. Powell, *Comparative Politics: A Developmental Approach* Little Brown and Company, 1966, p. 73.

<sup>2</sup>W.W. Biddle and L.J. Biddle, *The Community Development Process*, Holt, Rinehart and Winston, Inc., 1965, pp. 1-2.

cooperation'. This type of political behaviour has significant implications both for the political perspectives of the individual who engages in it and for political system in which such an activity is common.

"The most natural privilege of man, next to the right of acting for himself," Tocqueville observed, "is the right of combining his exertions with those of his fellow creatures and of acting in common with them."<sup>3</sup> Similarly, Owens and Shaw argue that the "first step in development is to organize the mass of the people in autonomous local institutions."<sup>4</sup> They further point out that, "while it is true that 'local assemblies' and decentralization are characteristics of free societies of west, their existence is no guarantee that a society is free at least in the sense we use the term in the west. Participation is not synonymous with democratic government. Rather, participation, including a 'sense of belonging' is the distinguishing characteristic of modernizing governments."<sup>5</sup>

In the present paper we had tried to see the phenomena of demand articulation and civic involvement at the micro political setting, *i.e.*, neighbourhoods. We have asked specific questions like, what would citizens do in case of hypothetical neighbourhood problems, whether they have ever done anything in case of a real problem, and what they done? We have tried to examine these queries among the citizens in relation to their socio-economic status and duration of stay in the neighbourhood. While doing the bivariate analysis use of gamma co-efficient has been made<sup>6</sup> whenever possible.

The paper is based on the data collected for a larger study.<sup>7</sup> The data for the study were collected in Kanpur during October-March 1973-74. It was decided to take a sample of 350 male citizens from the four representative wards of Kanpur. From the latest lists of voters available with the District Election Office, Kanpur, required number was drawn from the each ward with the help of random number table. Sample respondent was located on the basis of his address given in the voter's list.

<sup>3</sup>A. de Tocqueville, *Democracy in America*, New York, Vintage Books, 1965, translated by Henry Reeve and edited by Philips Bradley, Vol. I, p. 203.

<sup>4</sup>Edgar Owens and Robert Shaw, *Development Reconsidered: Bridging the Gap Between Government and People*, Oxford and IBH Publishing Co., New Delhi, 1972, p. 13.

<sup>5</sup>*Ibid.*, p. 14.

<sup>6</sup>Gamma Co-efficient was preferred in comparison to other measures of association because: (i) it handles small cell frequencies whereas these provide restriction for other measures and our data contained many cell frequencies which were very small; (ii) it is one of the most useful measures of association between two ordinal level variables; (iii) it readily reflects both positive and negative association between two variables and is directly interpretable.

<sup>7</sup>Niranjan Pant, *Citizenship, Leadership and Civic Life: A Case Study of Kanpur* (unpublished dissertation), IIT, Kanpur, December 1976.

Replacements were made in case the respondent was dead, changed the house, or was out of station permanently or semi-permanently. Of the total sample 330 interviews were completed. Twenty interviews could not be done because of refusals, untraceability and failure in contacting.

In examining demand articulation the first question we asked the respondents was about a hypothetical situation: "Suppose there was some trouble in your neighbourhood related to municipal corporation, for example, there was some problem concerning sanitation, lighting or water etc., what would you do to solve this problem?" The responses to this question which are presented for different socio-economic status<sup>8</sup> in Table 1 are arranged in order of their effectiveness.

TABLE 1 PERCENTAGE DISTRIBUTION OF CITIZENS BY MODE OF DEMAND ARTICULATION FOR DIFFERENT SOCIO-ECONOMIC STATUS IN A HYPOTHETICAL SITUATION

Mode of demand articulation	Socio-economic status			
	High	Medium	Low	Overall
1. Take help of Sudhar Samiti	9.68	4.32	—	3.94
2. Approach concerned Authorities	43.55	27.78	3.77	28.18
3. Speak to corporator	11.28	12.35	16.04	17.58
4. Send application to Municipal Corporation	4.84	17.90	22.65	14.97
5. Will report in vain/Do nothing	20.97	23.45	39.62	23.03
6. No clear idea	—	2.47	9.43	4.24
7. Other	9.68	11.73	8.49	8.06
Total	100.00	100.00	100.00	100.00
N=	62	162	106	330

A citizen with a problem involving the municipal corporation may choose to make a demand or do nothing. But once he has decided to make a demand there are various modes through which he can seek redressal of his grievance. The table presents various modes of demand

<sup>8</sup>To measure socio-economic status in a precise way, we have developed an index. The items we have used in its construction are family income, respondent's occupation, his education and caste. For the purposes of weightage in case of caste and occupation, we have adopted the system applied by Yogesh Atal (*Local Communities and National Politics*, National Publishing House, Delhi, pp. 126-132). But for education and family income, we have used our weightage criteria based on raw occurrences of frequencies under each category. On the basis of total scores, we have developed three categories of socio-economic status, which are, high, medium and low.

articulation statuswise. In the table, we have arranged the categories on the basis of their effectiveness in terms of redressal of grievance.

Taking overall percentages into consideration same interesting results emerge. First, a large majority of citizens (72.73 per cent) mentioned one mode or the other for articulating their demands, while 27.27 per cent were either unsure or were unwilling to do anything. Second, the largest proportion of citizens (28.18 per cent) mentioned that they would use the second most effective mode of demand articulation (approaching concerned authorities). Third, a microscopic minority (3.94 per cent) mentioned the use of the most effective mechanism (taking help from neighbourhood improvement committee).

Examining the data statuswise, there is no one from low status to make use of the most effective mode of demand articulation, while 4.32 per cent citizens from middle status and 9.68 per cent citizens from high status would make use of this method. Similarly, in case of the second category, there is a marked decline in the percentage as we come down from high status to low status, and the gap is much more wider between medium and low status compared to the one between high and medium. Here this variation in the gap is on account of the fact that there is a great social distance between the concerned authorities and low status people, so low status people lack the confidence to face these authorities. This contention is supported by Church's findings. In his Lucknow study he found that citizens with lower socio-economic status had a greater propensity of using 'middlemen' for making administrative demands. The main reason, according to him, is that people with low status don't feel competent to make demands from local administrative system.<sup>9</sup>

The trend is, however, reversed when we come to third and fourth categories, which indicate rather casual approach to problem solution. The percentage of respondents who follow these approaches goes up as the status goes down. Though the same is true of fifth and sixth categories but these categories indicate negative approach to problem solution. Here also we find percentage going up as we go down in the status ladder. On the basis of the examination of data in Table 1, we find a positive relationship between status and utilization of effective mode of demand articulation.

In Table 1, we examined the data concerning a hypothetical problem involving municipal corporation. Here a vast majority of sample respondents (72.73 per cent) mentioned that they would do something in case of such an eventuality. However, we also asked the sample respondents if they ever did anything concerning some problem of the neighbourhood.

<sup>9</sup>R. A. Church, "The Municipal Administrative Process in India", paper presented at the 1971 annual meeting of American Political Science Association, Chicago, September 7-11.

Here a much small number of the respondents (30 per cent) replied in affirmative. It would be interesting to examine the data with respect to different socio-economic status.

TABLE 2 PERCENTAGE DISTRIBUTION OF RESPONDENTS BY ANSWERS TO THE QUESTION, "HAVE YOU EVER DONE ANYTHING TO SOLVE SOME NEIGHBOURHOOD PROBLEM?" BY SOCIO-ECONOMIC STATUS

Responses	Socio-economic status			
	High	Medium	Low	Overall
Yes	35.48	36.42	16.98	30.00
No	64.52	63.58	83.02	70.00
Total	100.00	100.00	100.00	100.00
N=	62	162	106	330

Gamma + 0.311

Examining the table statuswise, we find that an almost equal proportion of respondents are drawn from high and medium status in the 'yes' category. On the contrary a much smaller proportion is drawn from the low status. Thus, on the whole, status and tendency to participate in solving community problems seems to be positively related and it is also borne out by the computed value of Gamma Coefficient for Table 2, which equals +0.311. On the whole, individual's Contribution to participate in solving community problems is very meagre. On an average, only 30 per cent citizens have ever done anything for redressal of their grievance. This is much worse in case of low status people and is mainly on account of the fact that they have neither the efficacy nor resources and time.

Not only did we enquire from our respondents whether they ever participated in an act involving the community but also enquired the method they adopted for ventilating their grievances. The various modes they adopted are presented in Table 3. Here also we have arranged the categories in order of their effectiveness.

The first thing that strikes us most in the table is that the largest proportion of citizens (32.65 per cent) mention 'self participation' as an answer to a problem solution. Truly speaking it is not a mode of demand articulation rather it is the Gandhian way of problem solving. However, in our case the large preponderance of citizens under this category is mainly on account of two reasons. First, there was a strike of 'safai' employees around the time we conducted our survey, which lasted over forty days. This compelled many citizens to participate in street and drain cleaning operations in their respective neighbourhoods. All these persons mentioned this experience as their contribution to neighbourhood

TABLE 3 PERCENTAGE DISTRIBUTION OF CITIZENS BY MODE OF DEMAND ARTICULATION FOR DIFFERENT SOCIO-ECONOMIC STATUS IN AN ACTUAL SITUATION

Mode of demand articulation	Socio-economic status			
	High	Medium	Low	Overall
1. Pursued through mohalla sudhar committee	22.73	10.17	—	11.22
2. Wrote application and met officials	36.36	13.56	11.76	18.37
3. Wrote application (collective/individual)	18.18	30.51	47.06	30.62
4. Participated self	9.09	38.98	41.18	32.65
5. Other	13.64	6.78		7.14
Total	100.00	100.00	100.00	100.00
N=	22	59	17	98

problem solution. Second, in case of rural areas their collective efforts was the only way to solve civic problems.<sup>10</sup> As a result of these two factors, the percentage was pushed up to such an extent in the self participation category.

Examining the Table categorywise, the first one consists of those who pursued their demand through 'mohalla sudhar samiti'. This is the most effective approach to solve neighbourhood problems. Two things are striking about it. First, a very small segment (11.22 per cent) of the sample makes use of this method. Second, maximum use of this method is made by the high status people followed by medium but no low status people have made use of it.

Coming to the next most effective mode of demand articulation, we find, its overall percentage is second largest (18.37 per cent). If we compare the various status groups, we find there is a consistent increase in the percentage as we go up in the status ladder. That means there is a positive relation between status and utilization of this mode of demand articulation. However, the margin of gap is very wide between high and medium status and is very narrow between low and medium status. The possible explanation of this variation would be, while application can be written by people of all status, the access to the corporation officials is much more easier for high status people.

The third category consists of those who wrote application to the corporation or put their signatures in a collective application that was sent to the corporation. This is the most casual and least effective

<sup>10</sup>In 1960, when the status of Kanpur municipality was enhanced to a municipal corporation, a large chunk of rural area (over 100 villages) was incorporated into it. But nothing was done by the Corporation with regard to the provision of civic amenities in these rural areas.



approach to solve neighbourhood problems. As we come to this category, we find a just reversal of what we found in earlier two categories. Firstly, a significant segment (30.62 per cent) have made use of this mode. Secondly, more and more use of this method has been made by the people of lower strata. As we come down in the status ladder there is a progressive increase in the percentage of those who made use of this mode.

The self participation category contains largest segment (32.65 per cent) of the sample who ever did anything for the neighbourhood. The high percentage in this category, we have already explained, is on account of 'strike' and 'village areas'. However, when we compare the various status groups, we find more use of this mode is made by the lower status groups. As a matter of fact there is not much difference between medium and low status people in the utilization of this method. But the percentage dramatically drops down when we take into account high status group. So much so that only 9 per cent high status people themselves participated compared to 39 per cent middle status and 41 per cent low status people. This is mainly because high status people generally live in posh colonies where better sanitary arrangements exist.

In case of 'other' category such methods were mentioned which are generally utilized by higher status groups like, writing letters to newspaper editors, making friendly telephone calls to highest authorities, making group representations, etc. These modes are such which are generally not available to low status people. As a result we find their absence in this category.

Thus, the findings that emerge from the table reinforce the findings of Table 1, where a hypothetical situation was examined. Here we find, more effective is the mode of demand articulation less utilization of it is made. In the table we find a systematic decline in overall percentages as we come up to more effective modes of demand articulation. Further, among the status groups, more effective the mode, the greater use of it is made by the higher status groups. However, it should be remembered that the method adopted by a citizen for the redressal of his grievance is not always a matter of choice for him. Very often a citizen from a lower socio-economic status is faced with a situation where writing an application, at most collectively, is the only avenue open to him to ventilate his grievance. And if the application proves ineffective as it often does, his last recourse is either to sustain the difficulty or solve it through self participation. On the other hand, a citizen from higher echelons of the society can very often make a more direct approach to the concerned authorities for the redressal of his grievances and by virtue of his position or personal contacts such direct approaches are likely to be more effective.

Citizens who do not like the state of affairs of their neighbourhoods in terms of civic amenities have three broad alternatives : (i) they can adopt

a resigned attitude doing nothing just tolerating it; (ii) they can stay and make some attempts to change things; (iii) they can leave neighbourhood altogether. Albert Hirschman has developed a general theory of response to decline in organizations that is based on latter two options. He points out that 'exit' and 'voice' are alternative ways in which an individual can respond if he wishes to maintain some level of performance in an organization whose performance is declining. 'Exit' is simply quitting the organization. 'Voice' on the other hand is an attempt aimed at change.<sup>11</sup> Hirschman's terminology is utilized by Orbell Uno<sup>12</sup> in case of change of neighbourhood. The reasons they assign to this application are—a resident existing from an urban neighbourhood simply decides that some other location offers him more of what he wants. So he moves up to take up a residence in the new place. A voicing resident, in the more usual terminology of political analysis, is "making demands, articulating his interests or participating in political action."<sup>13</sup>

We can not make the easy assumption that neighbourhood problems will be solved to the extent that residents make demands on the municipal corporation for change. Similarly, neighbourhood problems are sometimes solved without any demands on the parts of the residents. For instance some slum areas of Kanpur got a complete face lift because of the Central Government's slum improvement scheme, involving huge amount, though no specifically local demands were aggregated for this purpose. Therefore, voice is neither a sufficient nor a necessary condition for the solution of neighbourhood problems. Nevertheless, demands can make an important difference, and this is our assumption.

Citizens who are not satisfied with a neighbourhood in terms of civic amenities may decide to quit it, but there are two important constraints. First, on account of scarcity of houses and high rents, poor people might not be able to afford to leave a particular neighbourhood. Second, caste and communal basis of neighbourhood may be a compensation to them for the lack of civic amenities. Therefore, this model is subject to serious qualification. First, the difference in opportunities for change in a business organization are wider compared to change of neighbourhood. Second, in the Indian urban context in general and in Kanpur in particular this model has limited application because of scarcity of houses and the lack of income of most of Kanpur residents act as a serious constraint on the geographical mobility. Under such circumstances, it is expected that

<sup>11</sup>A.O. Hirschman, *Exit, Voice, and Loyalty: Response to Decline in Firms Organizations and States*, Cambridge, Harvard University Press, 1970.

<sup>12</sup>J.M. Orbell, and T. Uno, "A Theory of Neighbourhood Problem Solving: Political Action Versus Residential Mobility", *The American Political Science Review*, Vol. 66, No. 2, 1972, pp. 471-489.

<sup>13</sup>*Ibid.*, p. 471.

those who are staying in a neighbourhood for longer durations will make every effort to solve the neighbourhood problems. Since we have collected information both for the duration for stay in the neighbourhood and action in local affairs,<sup>14</sup> it would be of interest to see the relationship between these two variables, as presented in the Table 4.

TABLE 4 PERCENTAGE DISTRIBUTION OF CITIZENS BY DURATION OF STAY IN NEIGHBOURHOOD AND ACTION IN LOCAL AFFAIRS

<i>Action in local affairs</i>	<i>Duration of stay</i>				<i>Overall</i>
	<i>Less than 2 years</i>	<i>2-4 years</i>	<i>5-9 years</i>	<i>10 years or more</i>	
High	15.38	19.23	39.53	35.89	34.24
Low	84.62	80.77	60.47	64.11	65.76
Total	100.00	100.00	100.00	100.00	100.00
N=	13	26	43	248	330

Gamma—0.175

Before we start examining the Table, we would like to mention two things. First, that majority of the citizens in our sample (65.76 per cent) fall in 'low' category of action in local affairs and only 34.24 per cent are in the 'high' category. Second, the proportion of citizens goes on increasing with the extension of duration of stay in the neighbourhood. Taken together, 75.16 per cent of the citizens have a stay of ten years or more.

Examining the Table, we find that there is no clear relationship between the length of stay and action in local affairs. But in case of stay up to nine years, we find that with the length of stay increasing, the percentage in the 'high' category is also going on increasing. That means for citizens whose stay in the neighbourhood is up to nine years, the involvement in the neighbourhood affairs increases with the extension of duration. However, it is not true of those whose stay is above nine years. In the next category of 'ten years or above', we find a reversal of this trend. Here in the 'high' category we find a decline and in the low category an increase in the percentage. This reversal in trend is reflected in the small gamma co-efficient for the Table, which is only —0.175. The minus sign, of course, a negative relation but as the absolute value of the co-efficient is very small it should be remembered that this relation is a rather feeble one. The minus sign of the gamma is brought about by the fact that 75.15

<sup>14</sup>To measure 'action in local affairs', we have constructed a scale based on the questions used by Robert Dahl (*Who Governs?* Yale University Press, 1964, p. 279). The items which are included in the scale are: talking local politics, contacting local authorities, and action in local affairs. The categories for the purposes of analysis have been dichotomized into high and low.

per cent the sample consists of those whose stay is ten years or more. And it is at this point that we find a reversal of trend in the Table. It, however, remains to explain why there is a reversal of trend among residents with duration of ten years or more. The reason seems to be that those whose stay is over ten years are older people and they are not active in local affairs.

Taking the sub-samples of 'high' and 'low' action in local affairs separately (113 and 217 respectively), we find that about three fourth citizens have a stay of ten years or more in each sub-sample (78.76 per cent in the 'high' and 73.27 per cent in the 'low'). But there might be different reasons in each case. In the high category there presence might be on account of their satisfaction with the neighbourhood environment. As a result, in case of problems, they get actively involved to solve them. In the 'low' category their presence might be on account of their financial inability to move out of the neighbourhood. As a result they might have adopted a resigned attitude.

To summarize, the first thing that should be pointed out is the wide discrepancy between the citizens' reaction to hypothetical problems which which seem to be fairly encouraging (72.73 per cent) and their involvement in actual problems which was rather poor (30 per cent). Secondly, an examination of socio-economic status of the participating citizens clearly indicates that it is the citizens from higher (high and medium) status who are more active in community affairs. This is mainly because they fulfil all the three conditions mentioned at the outset of the paper. In case of low status citizens, resources available to them do not satisfy the first condition, which means the second condition is not available to them. The question of third condition does not arise for most of the citizens because they rarely come across a situation where choices for them are more than one. This point is further strengthened by the fact that there is a positive relationship between status and utilization of more effective modes of demand articulation. Thirdly, poor people are at double disadvantage; they are handicapped in their ability to use both 'exit' and 'voice' for getting rid of their neighbourhood problems. 'Exit' because they can not afford and 'voice' because it requires formidable organizational and leadership resources which poor people lack. Under such circumstances passivity is the logical outcome in their case.

# URBAN DEVELOPMENT AND THE URBAN AUTHORITIES\*

R. PARTHASARATHY and K.K. KHATU

This paper aims to give a critique of the complex system of urban planning and development, and subsequently evaluates the scope in terms of major development controls, action areas and institutional structures.

Rarely, a systematic approach on the management problem of urbanization has been followed in our country as the phenomenal changes have always been handled on a *ad hoc* basis. Little or no flexibility has been built into the organizational structures in big urban centres and no adequate monitoring devices have been created simultaneously. To understand the dynamics of the process of change in large sized human habitat, the key factors of change along with the nature and the impact of their inter-relationships are to be identified and evaluated very carefully. Similarly, creation of an appropriate authority which can ensure effective and united command is necessary.

Urban management is an essential part of urban development. The whole question of urbanization is complex because of the interdependence of various factors of which physical planning is the base. Shaping of these factors, their degree of relevance to each other, and also to the spread of central city with its conurbation and umland are matters that should fall within the urban management. Today, it appears as if there is a conflict between users and providers. Users include the population, industries and commercial establishments, while providers encompass the policy makers, planners and authorities. The interaction between the two, decides the quality of urban life. The urban development covers not only long range questions about the character and development of a city region but also the welfare and prosperity of its inhabitants. To great extent, the planning and development process then become a control exercise wherein all concerned are assigned responsibilities. This is done in several alternative situations, to meet specific goals in time and space.

\*Paper presented at the Seminar on "Legislation Relating to Town Planning and Development Authorities and their Implementations", organized by the Indian Institute of Public Administration, New Delhi on April 28 and 29, 1978.

In the United Nations Report of 1977<sup>1</sup> it is stated that the key elements that comprise the complex urban system in the less developed countries are : (a) a physical factor, based on the size and density of the population, (b) a functional factor based on the predominance of secondary and tertiary activities, and (c) an administrative factor, based on the territorial scope of local and supra-local government. The critical issue in the urban development planning is the identification and treatment of special area, which requires not only comprehensive planning but also at times redevelopment. The need for comprehensive treatment and redevelopment arises for number of reasons; such as sporadic growth of private properties, slums sprawl, major transportation congestion points, other congested residential and industrial zones, availability of land for reclamation and thus offering new development opportunities and other areas of distinctive character and quality where substantial changes are unavoidable. Urban planning in the country, therefore, has to be seriously applied to all nodular points, particularly those with a population of 1 lakh or over. At times the policy decisions taken at the higher hierarchical levels keep little room (no room) for the authorities at the local levels to expedite their plans successfully. For example, a national highway No. 8 running from North-West to South-West through Baroda city (and the rail line closely parallel to it) made it difficult for the North-East and South-East city suburban areas to develop. Ever since Baroda, Surat and Ahmedabad have become prominent cities of this region, it appears that the pull and push factor, between the two close nodal points decide the development of the bridging region. If there is only pull from the singular nodal point then the centre alone develops but its surrounding region remains underdeveloped. The corridor or ribbon development of cities is due to such internodal pulls and pushes. To lead the backward region towards development, some counter centres with fortune opening activities need to be introduced. This helps in keeping some natural balance between pull and push tendencies in the region. Backward areas should not always act as feed forward agents for the central settlement but they should also have opportunities to receive sufficient feedback from the central settlement. A kind of continuous balancing is needed in the region to have composite and evenly spread development. Sometimes self-absorbed attitude of urban development agencies hardly leave any scope for the fringe areas to develop.

#### GROWTH OF PROBLEMS

Number of questions are raised regarding the process, causes and effects of urbanization. Does urbanization follow an identifiable 'stages of growth'

<sup>1</sup>Amando de La Cruz, *Urbanization and Urban Systems in Less Developed Countries : An Indication of the Quality of Urban Development*, U.N., New York, 1977, p. 7.

process? Is the process essentially similar in most cases or, are there different processes, perhaps with divergent outcomes? Does rapid and/or large scale urbanization necessarily follow from overall social and economic development? Are the highest level of productivity in fact obtainable only in cities? Does city hierarchical system help? Are the concepts of orthogenetic and parasitic urban development and theories of duality valid and useful? Does urbanization contribute to national integration, *i.e.*, the melting-pot theory? Does it in fact intensify or even create differences between social groups? Does it help to increase the rift between poor and rich, skilled and unskilled, educated and uneducated, etc?

In the ancient world there were big settlements with high density population. Many of them, however, were structurally more like big villages rather than urban centres in the sense with which we are now familiar. In our country urbanization process has been in two distinct ways, firstly by introducing an industrial but colonial character, and secondly by imposing some administrative or commercial character to the settlements. The association of various characteristics at different time points to the habitat decides its size, growth potential and the magnitude of problems that otherwise emerge. Most of Indian cities appear as big agglomerations with urban, semi-urban, urban and rural characteristics. Purely urban settlements are, therefore, extremely rare in the country. Gerald Breese (1966)<sup>2</sup> puts such settlements at the 'subsistence urbanization level.' This concept implies that urbanization, in which ordinary citizen has only the bare necessities, and sometimes not even those for survival in the urban environment. Only a few newly developed industrial and other complexes sponsored by public sectors (such as I.P.C.L. in Baroda, big residential universities, etc.) are in real sense above subsistence level as not only they have planned development but also required level of facilities and amenities. In today's urban systems there are flows of material, energy, information and ideas between individuals or social groups and geographical areas. Therefore, the areas of concern for urban analysis and planning have to include each of the constituent elements of the urban ecosystem; *i.e.*, population, spatial structure, social organization and economic premises. The plans for urban region are in some cases subtly guided by political considerations and constraints, each one in a different way according to its sponsorship. To be at all effective, such a plan must be broadly acceptable to different authorities, upon whom its implementation depends.

In urban areas, because of mixed economy and functions, the problems arise both at management and implementation level. To keep an effective control and to execute properly the implementation of various plans, the urban laws are framed. Those have also broad objective of attaining

<sup>2</sup>Gerald Breese, *Urbanization in Newly Developing Countries*, Prentice Hall International, 1966, New Jersey.

welfare of the people enmass. Generally the problems posed are of short term and long term nature. While the laws that are used as means of control by the management, often fall short to meet variegated situations. Some of the reasons that could be stated are, the outdatedness of few of these laws, overlapping in some cases, lack of universality and vast scope for subjective interpretation, etc. For example, in city traffic and transportation, the mix of old and new vehicles create problems. Old roads suited to old type transport modes are regularly used by modern vehicles in absence of new roads, and the new roads are also being used by old fashion transport modes. Speeding trucks, buses, motor cars, motor-cycles are running along with hand-carts, sluggish camel-donkey-bullock-carts and tongas, bicycle-rickshaws, etc. All these make planning, development and control difficult tasks. Most of the problems not only originate and spread infection at the same place but often it has multi-nuclei, and also long range and long spread infections. Therefore, planning should occur over areas broad enough to facilitate the solution for various social problems *i.e.*, urban absolence and overcrowding, inadequacies of transportations and conflict mobility and environment (McLoughlin 1970).<sup>3</sup> Besides it needs to encompass under its fold larger geographical areas, *i.e.*, umland region.

#### DEMOGRAPHIC TRENDS

Nearly 20 per cent of world population lives in the urban centres of 100,000 and over; and about half of the world population lives in the settlements of 20,000 and over. The large share of increase in the world's urban population will occur in the economically underdeveloped and other developing countries. In India every fourth man is living in urban centre. It will not be wrong to assume that at least 1/3 of the remaining rural population in India, lives somewhere in the close vicinity of urban centres. Therefore, it can be safely estimated that a little more than half of India's total population is thus directly under the urban influence.

Every urban centre is associated with change and this is more so when it opts for modernization is somewhat controlled by the political and administrative agencies, which either play a direct role in the change process or indirectly influenced it. The pace of modernization depends mostly on the availability of the resource material and on the immediate needs of the region. Secondly, the urban centres often attract the intellectuals and also the entrepreneur from the umland areas. This brain drain from villages although appears to be insignificant with regard to total urban migrants, it is a big loss for the villages. The indirect impact of this phenomenon could be seen in many backward areas in our country. Urban

<sup>3</sup>J. Brain McLoughlin, *Urban and Regional Planning : A System Approach*, Faber, 1970, Chs. 6 and 10.



growth could also be attributed to various kinds of other development processes, *i.e.*, natural growth of urban population, urban-urban migration, engulfment of rural and urban territories by expanding the boundaries of the urban centre, etc.

The urban place being a focus of contacts and a centre of innovation, it suffers from growth sickness. It represents the necessary adoption of the human settlement systems to a new pattern of interrelation that go hand in hand with the forces generated by the process of change, and degree of intervention and penetration on the part of various agencies.

#### CHARACTERISTICS OF URBAN LIFE

The Urban Life is a kind of mechanics which is closely linked up with the pattern of land use, production processes and value systems developed in the city. In rapidly developing countries, the urban governments have not completely solved the problems of how to induct their population into the governing process without encountering corresponding dangers. Gerald Breese (1966)<sup>4</sup> makes two distinct classes of urban population; folk-urbanists and urbanists. By folk-urbanists he means those people who are unable to lead full urban life, *i.e.*, subsistence urbanization level; and by urbanists he means those who can lead the full urban life. In our country we can suggest the third category that can be called 'rurbanists'. These are the people who are mostly living in the old villages which now form the part of the city area. The residents of these villages are participants in the urban production processes, but live in the rural environment at home. In New Bombay territory there are already about 84 such villages and many of them now shelter the population of this type.<sup>5</sup> (Khatu, 1975). In packed houses, chawls and slums, the folk-urbanists live, while in high income group housing societies and special camp areas or cantonment areas the urbanists find their abode. The presence of these three categories appear to be normal phenomenon as regards the highly populated first 17 cities of our country. However, the next 10 mentioned in order of their population size as depicted in table at p. 231 are already posing similar kind of problems to their respective management agencies. All the 10 cities mentioned therein are likely to cross 5 lakh population mark by 1981, thus, posing the problem more seriously than ever before. The growth of cities is invariably followed by environmental problems. This is because of the inadequate supply of funds to maintain the pace between measures and emerging problems. There has been a steady deterioration in the standards of civic amenities in several<sup>6</sup> smaller municipalities in the country. This is mainly

<sup>4</sup>Gerald Breese, *op. cit.*, 1966.

<sup>5</sup>K.K. Khatu, "A Birth of a New City : An Ekistical Problem," *Deccan Geographer*, Vol. XIII, No. 1 & 2, 1975, pp. 139-144.

<sup>6</sup>*Times of India*, April 12, 1978.

due to the weak municipal finances and the inefficiency of the administration. The standard is, one sanitary inspector for a population of 10,000, which is never achieved. Complaints of insanitary conditions remain unattended for long. In cases when prosecutions are launched, people get away with a time of Rs. 2 to Rs. 5. This punishment can hardly serve as deterrent. Though development plan has been prepared by many municipal bodies in consultation with the State Consulting Surveyors, the local bodies have not been able to implement it for years.

In addition to this the ignorance of people, carelessness on the part of users, high land values and confusion prevailing over the ownership of land, etc., together contribute to the environmental deterioration. In Rajkot, slums have grown over the plots which are under ownership dispute. The misuse of pipelines and open strips in the Railway Yard helped boosting squatters in Bombay. High land values in the core city of Baroda helped slums to grow on the waste land, cremation grounds and low land areas. Environmental laws are incapable to stop all this sporadic and undesired growth for various reasons. The laws are mostly introduced for prevention, but we in urban India have the immediate problem of cure too.

The urban life is something which most of us prefer but dislike. It is a life which we adopt with compromise at every stage. In developed countries there is urban-rural migration trend clearly afoot, as against rural-urban trend in our country. The search for peaceful life and less hectic life is on anvil in the western society while we in India have a great attraction for the fast life and many other amenities of the cities.

#### UMLAND AREAS AND URBAN LANDUSE

The physical functioning of a city is primarily decided by the relationships between residential location, employment location and transportation. Thus housing and transportation are vital elements of physical planning. Other facilities like parks, agricultural plots, sewerage and refuse disposal, etc., have also some relationship to physical planning. Therefore, in urbanization process the policies for spatial distribution of population, in terms of size and location of central city, suburbs and umland areas, have much importance.

Landuse planning forms a major division of urban development. Land as such could be defined, as the surface of the earth with everything on it, under it and over it. Landuse planning, therefore, is the major activity of the local government. Local government collects the property tax as a major source of revenue in urban areas. Preparing a comprehensive plan for any given area, therefore, becomes difficult. The interest of private land owner may differ from the local government. Thus the conflict starts. How the land is used within its border, is more a matter of solvency than a matter of social considerations while the planning at the local level may be with specific intentions of collecting the additional

## INDIA'S BIG CITIES

Sl. No.	Urban Centres above 500,000 population	Population 1971		Growth Rate 1961-1971
		Total population	Workers as % of total population	
1.	Calcutta	7,005,362	32.58	+22.11
2.	Greater Bombay	5,968,546	36.63	+43.75
3.	Delhi	3,629,842	30.72	+53.85
4.	Madras	2,470,288	29.96	+42.86
5.	Hyderabad	1,798,910	24.29	+44.03
6.	Bangalore	1,648,232	29.63	+43.00
7.	Ahmedabad	1,588,378	28.49	+38.13
8.	Kanpur	1,273,016	30.27	+31.10
9.	Nagpur	866,144	27.13	+34.57
10.	Poona	853,226	29.24	+42.78
11.	Agra	637,785	26.57	+25.38
12.	Lucknow	826,246	28.92	+26.01
13.	Jaipur	613,144	26.99	+51.98
14.	Varanasi	582,915	31.28	+19.00
15.	Madurai	548,298	28.44	+29.07
16.	Jabalpur	533,751	28.87	+45.43
17.	Allahabad	513,997	29.17	+19.33

## URBAN CENTRES MOST LIKELY TO CROSS 5 LAKH POPULATION MARK BY 1981

1.	Surat	471,815	31.63	+63.81
2.	Baroda	467,422	27.93	+56.64
3.	Cochin	438,420	27.27	+56.19
4.	Dhanbad	433,085	36.88	+115.88
5.	Trivandrum	409,761	28.16	+70.87
6.	Ludhiana	401,124	30.12	+64.37
7.	Bhopal	392,077	28.74	+75.86
8.	Hubli-Dharwar	379,555	27.80	+52.75
9.	Visakhapatnam	362,270	27.61	+71.54
10.	Calicut	333,980	24.64	+73.48

property taxes, etc. Therefore, landuse policies, usually adopted by the local authorities, are to be viewed and chalked out very carefully to promote the balanced development of housing, industries, commerce and other sectors which would promote quality of life. For example, right of property is a common law but the same would have various sub-sections appended, whenever the authoritative and spatial dimensions change. Always, the interpretation of law is to be made in its context. Moreover, there is no possibility of arresting the dynamism in any settlement. It is also impossible to hold the growth of any settlement to a desired standstill point, *i.e.*, an optimum size. If the habitat size is dynamic then how one can have a rigidity of law as regards the possession of property? Secondly, application of property law encompasses very small sections of urban population mostly real owners and speculators. But this section of a society has capacity to regulate the development-tempo of a city, and thereby the future avenues of involvement for many. Such a situation raises a doubt in the minds of planners. Can there be a development by following legal compulsions?

In the urban-rural fringe, besides the pockets of villages there are industries, quarries, sand pits, scrap dumping areas, outdoor recreational areas, cooperative housing societies for the upper and lower-middle classes, cemeteries, etc. Several of these particularly graveyards, garbage dumping places, quarries, etc., present environmental problems. The gram panchayats are incapable to put restrictions on them and the municipal authorities are helpless as the environmental problem arises outside their jurisdiction. Often the big industries manage to satisfy the handful of office bearers of gram panchayat by investing some petty amount for the gram welfare, and thus escape from the real responsibility of combating the environmental hazards created by their industries.

The dynamic aspects of the land market exist at the rural-urban fringe. Farm land values in this zone tend to reflect urban influence particularly within metropolitan areas. Therefore, the introduction of zoning act/zonal regulation is introduced in the urban development. But the municipal legislation and the planning authorities' development plans do not necessarily go hand in hand. There exists, at times, confusion between the zoning ordinance and the private landuse portions of the comprehensive plan.

The comprehensive plan is always a long range plan and has no sound legal coverage, while the ordinance, although short range, has more precision and legal force. The acquisition of land in the umland areas, therefore, is done through the ordinance which is not to the taste of public opinion. Public land acquisition is something like a control mechanism. Prior to the planning exercise of New Bombay the Maharashtra Government had to issue such an ordinance. But the repercussions of such an ordinance are still felt in the society at large. Therefore, any decision at any authority level is to be taken in the light of common good and the social implica-

tions as well. The balance of economic and demographic flows between rural and urban areas often work to the disadvantage of the countryside. For arresting the phenomenon of mass rural depopulation it is inescapable to control capital investment in the city and thereby ensure planned demographic transfer from rural areas. In Bombay recently, there are many restrictions put on introducing any new industrial development.

Rural-urban migration results from rural poverty, and uneasiness. The people are attracted by employment opportunities, glitter of wealth and well-being of urban centres. We have in our country urban pockets and rural pockets, but hardly anything like urban-rural continuum.

Abruptly the change in land use is noticed as soon as one crosses the border of a city. A sound growth of urban centre and its umland would, therefore, be helpful in maintaining the urban-rural continuum and decentralized network of functions. Such a system would help distributing the effects of development (income, wealth and well-being) to all levels of urban hierarchy and rural areas as well.

#### URBAN AUTHORITIES

Generally the aim of such an authority is to keep control on the development activities and keep in easing problems related with the development processes by providing basic amenities and facilities.

At present, the system, that is followed in India, is quite deep rooted and hence difficult to modify in a short period. Gram Panchayats are given direct powers over minor decisions. However, these in turn influence important decisions and policies that are taken at the higher level of hierarchy. These democratic institutions are guided by Zila Panchayat, *i.e.*, another democratic institute in the hierarchy. Gram Panchayat delegated certain powers of control to Zila Panchayat. Normally Zila Panchayat retained some reserved powers over such matters that they considered significant from the point of view of overall development of the region. The Municipal areas in various townships remained outside the jurisdiction of Zila Panchayat. However, a state level body keeps limited control over the Municipal institutions. The democratic way of decision making at the Municipal level is in a very good shape, but in some other contexts it may not be so. Sizable increase in the jurisdiction of Municipal body results into raising its status to a Corporation level; and thereby the agency has power and opportunities to decide many urban developmental aspects with further precision and freedom. It is also a function of these developmental agencies to collect necessary data and suggests long range plan for the city. As geographical and functional areas are not identical, there is a danger of misinterpretation of existing situation and thus the role of different authorities may occasionally conflict resulting in public criticisms.

In order to ensure an overall coordinated strategy to all the relevant problems and relationships that fall within the jurisdiction of concerned

authorities, it might be helpful initially to sketch them out in an appropriate matrix indicating relevant geographical levels of government action. At present lot of confusion prevails regarding the jurisdictions of government institutions at different levels, *i.e.*, national, state, local and spatial. Let us take an example from housing development. At the national level, the Ministry of Works and Housing and the HUDCO participate in the programme. At the state level, the Housing Boards, Housing Repairs Boards, Slum Improvement Boards, State Industrial Development Corporation, Industrial Finance Corporation are few to mention here while at local level Municipal bodies, private sectors and other local institutions, etc., are the parties attempting to cope up with the housing demand. Nationalized Banks, Cooperative Sector, Public Sector Agencies and other development agencies contribute their share in providing housing to urban people. Not only the interest of all these agencies overlap but also at times they duplicate the efforts and create complications in the process of housing development. In spite of such multiplicity of efforts, more than 40 per cent of our urban population have yet to obtain shelter somewhere below standard housing. This single example itself would reveal the seriousness of urban problems. Merely enforcing a particular law does not ensure integrated solutions. In fact the enforcement of it, may lead to worsening of situation in some other fields.

Municipal government has often a weak financial base. The concept of Municipal Control over the urban issues is therefore, quite tenuous. There are loopholes in nearly every law. The degree of control, therefore, depends on the time horizon of agencies' intervention. Most of the development authorities have at present little power (no power) to generate their own finance through local taxation. State/Central governments subsidies and grants are also not always related to felt needs. These make the local authorities nearly helpless. As a result their power to make and implement plans have little operational significance. Only assured resources and timely allocation of funds can help implementation of the ambitious plans for providing impressive results. But this is rarely seen in practice. Therefore, the laws should spell out clearly fiscal powers as would determine in the pattern of spatial organizations with a degree of flexibility so as to ensure a desired rate of growth.

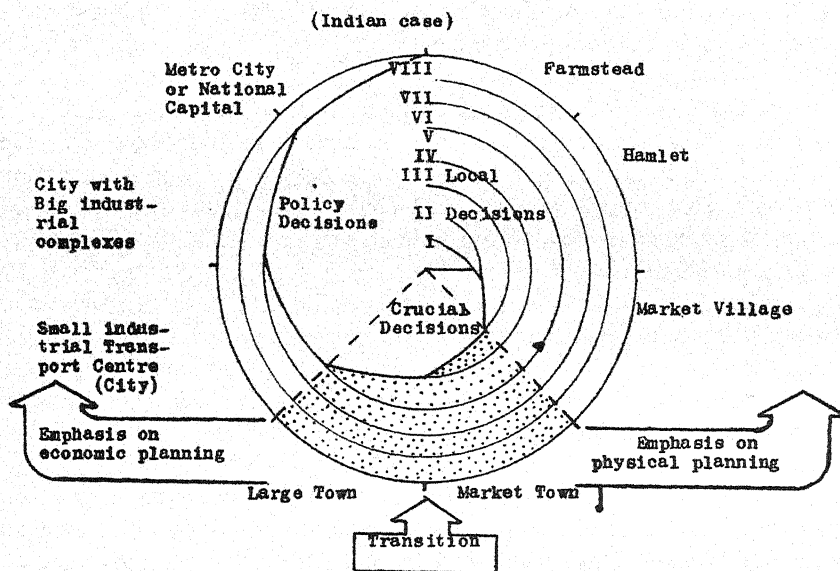
Theoretically every thing needs change; even laws are no exception to it. Legislation is provided to control the excesses in planning procedures. Therefore, it is more binding on the normal folks than on the defaulters. Defaulters usually pay the requisite fine and execute their own plans. There are many chemical industries who prefer to pay the nominal amount of fine for not treating the effluent, rather than treating them at a high cost. Legislation, therefore, requires a different approach. In early days, it was always punitive. Now it has to incorporate the positive incentives to encourage the implementation of the sought after pattern of develop-

ment. It must also reflect a greater degree of realism in terms of the economic capacity and behavioural characteristics of the groups it affects. Besides bringing a greater flexibility in implementation procedures it has to seek higher level of inter-agency cooperation. Such an approach necessitates a continuous process of reforms on intense realism. To increase the enforcement capabilities there has to be rationalization of legislation and their procedures. To make all these understandable, cities are to be seen in the broader perspective as they have close interrelationship with economical and physical characteristics of the region. The nature of productive activity, housing and services, the flow of transport between various functions both in the core city and its umland provide the city much of its physical form. On the other hand, the physical environment, its quality, character, capacity and locational patterns substantially influence efficiency of production, satisfaction of community, and the ability of population in the city region to perform efficiently their tasks. These essential relationships between space, facilities and growth are, therefore, to be considered very carefully by all those who are concerned with physical and economic planning, and also by relevant management agencies. This leads us to suggest a formation of a special-urban region with closely interrelated physical, economic and social problems that are induced by habitat growth. The special region could be an ideal area for making a viable planning unit, as it aims at an orderly and integrated development of villages, towns, cities and the open plots on its fringe.

#### CREATION OF EFFECTIVE URBAN AUTHORITIES

As urban authorities have to deal with many complex problems of urban development, it would be worth knowing more about the dynamics of urban systems prevailing in its operational area. All human activities within the urban fold can be interpreted as transformation functions; this approach corresponds to cybernetic system analysis, wherein the system's elements have inputs and outputs with transformation functions converting the former into the latter. Moreover, there is a kind of feed-forward and feedback relationship between one activity and the other. The outcome of such relationship is either directly invested in the subsequent processes or its benefits are readily enjoyed. This is a simple expression of urban situation. City authority is, therefore, concerned with the normal functions of management which include organization, planning, implementation and feedback controls in respect of all levels of human habitats a kind of spatial dimension of different hierarchical regions. As regards our country the categories mentioned (Fig. 1) as metro cities, cities with big industrial complexes and other small industrial and transport centres have already become the urban centres of serious concern to all planning authorities. Today, each one of them practically has an umland of greater spatial dimension than average administrative district

## SPATIAL DIMENSIONS OF DIFFERENT HIERARCHICAL REGIONS



Pivotal Place	Spatial Dimensions	Nomenclature	Approx. Area Km <sup>2</sup>
I Farmstead	Fields	Micro Area	1-5
II Hamlet	Area	Area	5-10
III Market Village	Villages	Micro Region	15-150
IV Market Town, Taluka Headquarter	Taluka	Sub-Region	1,000-3,000
V Large Town, District Headquarter	District	Region	5,000-10,000
VI Big Industrial and Transport Centre	Hinterland	Special Region	10,000-50,000
VII City with big Industrial complexes	State	Sub-National	100,000-150,000
VIII Metro City or National Capital	Country	National (Macro Region)	above 150,000

Fig. 1



size while the subsequent categories such as large towns of which many of them are above one lakh population and few of the trade centres above 50,000 population are now on the threshold of take off to rapid urbanization. Therefore, this vulnerable group is equally important with a view to regulate its development in the desired manner. Up to the sub-regional level a kind of authority empowered with planning control and a partial implementation as well is necessary. The same authority may be called as rural authority; and in some special situation, wherever the problem for rural development is prime, the authority may be replaced with a rural development, or area development authority as the case may be.

The habitat development starting from a farm stead and later taking a shape of hamlet, village, town, city, etc., reaches to the level of metropolis—ecumenopolis at the end. The most vulnerable group from among these is of urban centres of medium size. In India there are 142 cities over 1 lakh population each, and about 2,900 other urban centres smaller in size. We have about seventy area development authorities in our country which encompass mostly rural areas. Similarly a few urban development authorities are created to look after the future of selected urban centres. The large gamut of the problem is still to be dealt with. The complexities would increase further whenever these habitats would grow in their size and functions. In the interest of composite and balanced development of all these centres of habitat and the regions surrounding them a better linkage pattern between different hierarchical levels is to be established. The authority at each level being different and also empowered for select decision making procedures, there would be a dire need for bringing coordination between various levels of decision makers. We suggest, therefore, the hierarchical system as below.

A national level organization 'Habitat Development Corporation' (HADE), would have overall function of making the national level policies in the habitat planning and the same will also keep control and regulate resources, required for execution of habitat development plans. It would be an apex body also responsible for giving guidance to other constituent bodies at the state level. Next to this there will be a kind of State Habitat Development Authority (SHADE) who would be responsible for the habitat planning at the state level. Besides it would also have the functions of keeping control on, and giving guidance to other authorities at the lower hierarchical levels such as Metro Area Development Authority (MADE), Urban Area Development Authority (URBADE). There are number of other agencies that are also contributing simultaneously to the habitation development in their own ways thereby duplicating the efforts and introducing number of sporadic development-nuclei. Unless all these efforts, that originate from various agencies are properly coordinated and regulated the balanced and composite development of habitats will

## HABITAT DEVELOPMENT CORPORATION OF INDIA (HADE CORP. INDIA)

State Habitats Development Authority  
(SHADE AUTHORITY)

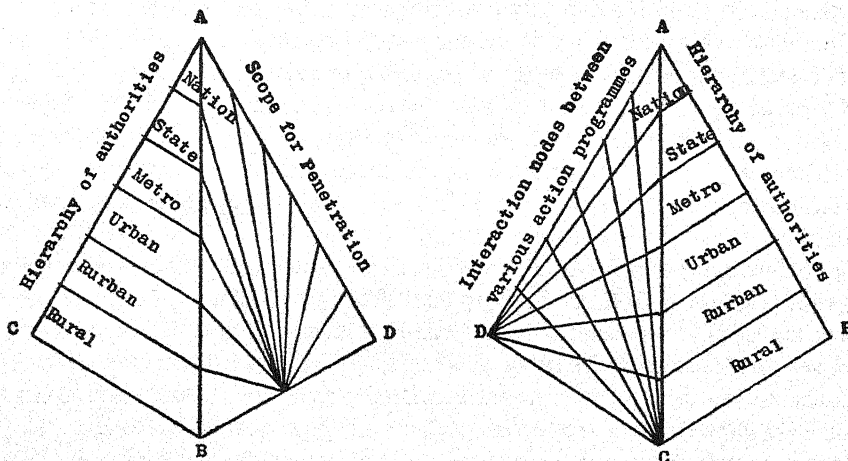
Metro-Area Development Authority (MADE)	Urban-Area Development Authority (URBADE)	Rural/Rural-Area Development Authority (RURBADE)	Other Existing agencies, i.e.,
<i>Authorities</i> <i>State Habitat Development Authority</i>	<i>Objectives</i> Planning Control and Guidance.	<i>Scope</i> (i) Resources Mobilization, (ii) Landuse, (iii) Location of Industries (iv) Roads and Transportation, (v) Housing, (vi) Basic Amenities : Medical, Education, Water, Energy, (vii) Recreation & Environment (viii) Horticulture and other allied activities, (ix) Natural hazards control, and (x) Other preventive and curative measures.	1. State Housing Board 2. Municipal Bodies 3. Zila Panchayats 4. State Housing Repairing Board 5. Port Development Authority 6. Rural/Backward Area Development Agencies 7. Deptt. of Town and Country Planning 8. Industrial Development Corporation 9. Cooperative Sector 10. Nationalised Bank 11. Chamber of Commerce 12. Railway and other Transport Communication Agencies, and 13. Many others.
<i>Metro Area Development Authority</i>	Planning Control and Implementation of major projects.		
<i>Urban Development Authority</i>	Planning Control and Implementation of Major projects.		
<i>Rural/Urban Development Authority</i>	Planning and Control.		

*Note :* The criteria for creation of authorities could be on the basis of :

- (i) The size of the central city
- (ii) Density of population in and around the central city.
- (iii) Workers in non-agricultural activities, number and ratio,
- (iv) Industrial workers, number and ration,
- (v) Central city's influence on the fringe areas, etc., and
- (vi) Other special characteristics, if any.

not take place. Our country could, therefore, be appropriately divided into various metro, urban, rurban or rural regions and the respective authorities for each one of them be created. The criteria for creating such authority could also be defined (See Chart at p. 238). The habitat pyramid as shown in Fig. 2 is a schematic representation of various authority levels which would execute the development programmes. It also shows the scope for penetration pattern that each of the authority can develop. Simultaneously in second pyramid the face ACD depicts the overall complexity that develops due to the interaction nodes between various action programmes envisaged by different authorities. Not only these authorities are to be inter-related but they are also to be controlled mutually by appropriate legal measures. At the national level the constitutional provisions act as safeguards, while at state and metro levels special acts may bring further precision to some of these provisions; similarly, at urban, rurban and rural levels the common laws should prevail to safeguard the interests of developmental agencies and also of public at large.

HABITAT PYRAMID  
(Schematic)



(CBD Base denotes population)

Fig. 2

The policy decisions of urban authority should be guided by a regional committee wherein the prominent and suitably qualified individuals are drawn from industry, local government, public corporations, social institutions and academic life, and who should be appointed on the basis of eminence and suitability or could counsel on relevant organizations.

Further a joint advisory committee from various planning authorities may be formed to safeguard the interest of local development issues. These two bodies should be complementary to each other and at times should play a role of healthy influence on each other. However, the final authority should lie with the regional authority. The basic point, therefore, is : planning should be comprehensive and separated from operational tasks, and the planning agency should be closely in conformity with the policy parameters emerging from political thinking, so that integrated policies are adopted and implemented. Contemporary role of human habitat could be stated as : (i) keep continuing various functions, (ii) acting as a centre for domestic and other activities, and (iii) magnet for habitation in their hierarchical order, *i.e.*, rural to rurban, rurban to urban and so on. Therefore, the good relationship, up and down the organizational structure, are of primary importance for good urban management. Methods of successful communication within each level of organization are also important as the management is a composite activity, embracing most of the problems of environment.

United Nations Report (1977)<sup>7</sup> recommends to have a better understanding of the interactions between investment decisions and to evaluate their input on the overall management of public resources. Environmental nuisance and chaotic growth are often the product of ill-conceived independently and individually controlled decisions on landuse and location of activities. Further for maintenance of the quality, it suggests that, basic trade off attitudes should regulate the delicate balance between the levels of service, the cost involved, within the basic constraints of an endemic shortage of resources, and the proportion of the population served. "Ultimately, it is indispensable to make better use of taxing and pricing mechanisms to control and direct the forces that shape the Urban Development."

Performance standards would differ very greatly at different situations, as those depend on the availability and allocation pattern of the resources, as well as the perceived needs of the society. There is also a conflict between the ideal and desirable standards. The law admits the desirable standards but is soft in enforcing desired standards. This kind of situation sometimes encourage the defaulters to put obstacles in the development process. Criticisms are often heard about the indifferent working of many local bodies. It has become nearly a normal phenomenon to witness delays in decision making and execution. If the law allows some limit for delaying decision making, then invariably the advantage of lingering the decision to the farthest point of time is taken by authorities. As a result the development tempo gets a setback at every level. Moreover,

<sup>7</sup>U.N. Report, *Indicators of the Quality of Urban Development*, New York, 1977, p. 4.

the tendency to inaction at every stage makes implementation of any ideal plan a futile exercise.

On the other hand, administrative efficiency and control for the provision of civic services goes on deteriorating as the operational areas increase. In fact, social overhead cost should reduce as the size of the operation increases, but this happens only up to certain limit and then both the efficiency and control become unmanageable, besides having increase in the supervision cost. S. Banerjee (1969)<sup>8</sup> suggested that spatial planning could be regarded as a key element in preparing the development plans, and it would incorporate the zonal component, nodal component and linkage component to solve some of these problems that otherwise emerge. Some social scientists propose the decentralized and diversified leadership in urban planning. Such a step would help curbing the biased attitude otherwise taken by the group of urban decision makers. Of course, a minimum unity and control is desirable. The level of decentralization and diversification is to be spelled out from time to time and from situation to situation. This requires an extraordinary statesmanship. The balanced development of a region largely depends on the quality of statesmanship than on mere legislation. Most of our laws are remedial and thus they are hardly capable to create a right type of atmosphere for the development. Most of the laws are punitive and therefore, discouraging. The lengthy process involved in abiding with law, than avoiding it and paying a penalty, is one of the major setbacks in achieving desired development. The law disallows anything below the minimum laid down standards, but probably never encourages that which is superb. Therefore, a general tendency is to reach to the level of minimum desirable rather than ideally the best standards.

In Japan and Germany, after the Second World War, there was a tremendous enthusiasm and devotional attitude developed amongst the people. The political and economic interests were far above the self. Further the values in life were kept far above by following educational and cultural norms. More than legislation, healthy national attitudes helped them building their nation. Therefore, an objective and developmental approach in framing legislation would always prove helpful.

Sometimes it is necessary to have intervention from higher level authorities, in the local programmes. However, if this is a purposive and fore-sighted intervention then it helps the local authorities to rectify their follies and thus assists in keeping control on various development measures. Of course, such an intervention should be done very judiciously and up to a certain point.

<sup>8</sup>Sujit Banerjee, *The Spatial Dimensions of Urbanization in Relation to Development Planning in India*, Chapter IV, Associated Publishing House, New Delhi, 1969, p. 87.

The ignorance of law, norms and standards are often observed as reasons for misuse of resources or for implementation of ill-conceived plans. Similarly bureaucratic attitude of status conscious people sometimes hamper development. The conclusion prevailing in political thinking also gives a setback to developmental efforts. In all such circumstances the role of voluntary agencies is indispensable. Unfortunately in our country, we have not been able to develop this force which have enormous potential to bring desired change in the attitudes of both providers and users. For example, in case of rural migrant in urban slum, such agencies have greater role to play. These institutions should work as catalysts in the society and should also build their image as faithful guides than merely as institutions of charity. In years to come, they can adjudge the people's aspirations and thus can extend help to the executing agencies in organizing public opinion. They can keep the masses well informed about the great dangers that lie ahead in disobedience of the laws of the land.

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# INDEX

- A.G.V. Fulham Corporation, 2  
Accounting, 23, 24-5  
Administrative control, 74  
Administrative Reforms Commission,  
23, 59.  
All India Institute of Medical Sciences, 213  
Almond, G. A., 215  
Alonso, William, 176  
Andhra Pradesh Municipalities Act (1965),  
15, 16  
Argal, R., 82  
Atal, Yogesh, 217  
Auditing, 20, 22, 23, 25-6, 74
- Bakshi, N.S., 29, 30  
Balachandran, M.K., 1  
Banerjee, Sujit, 241  
Barnard, Chester, 26  
Bhatt, Anil, 35  
Bhattacharya, Mohit, 27, 64, 67  
Biddle, L.J., 215  
Biddle, W.W., 215  
Bombay Building Repair and Construction  
Board, 137  
Bombay Development Plan, 137, 153, 157-  
8, 232.  
Bombay District Municipal Act (1901), 4, 5  
Bombay Municipal Corporation, 137  
Revenues, 108-9, 142  
Bombay Provincial Municipal Corporation  
Act (1949), 22, 25, 35  
Bose, Ashish, 118  
Breese, Gerald, 227, 229  
Budget, 23-4  
Building plans  
Sanctioning, 28-30
- Cabinet system, 15-16, 17, 18-19, 36, 38-9  
Calcutta Basic Development Plan, 153,  
157-8  
Calcutta Municipal Act (1951), 99, 100  
Calcutta Municipal Corporation  
Finance, 95-116  
Revenues, 95-108  
Calcutta Rapid Transit System, 158  
Campbell v. Baddington Corporation, 4  
Carroll, J. Douglas, 149  
Central Council of Local Self-Government,  
46, 52  
Central Institute of Research and Training  
in Public Cooperation, 211  
Central-local relations, 70-5  
Financial, 73-4  
Centralization, 71  
Chadwick, 70  
Chapman, Brian, 72  
Chopra, R.N., 48  
Church, R.A., 218  
Cities and towns  
Economic growth, 162-75  
Needs, 132-3  
Karnataka, 118-28  
City planning, 149-61, 230  
Civic amenities, 206-7, 214, 228, 230, 241  
Civic involvement, 215-24  
Committee system, 12, 13, 14-15, 17  
Communication, 133, 145  
Community development, 206-14  
Coordination, 211-14  
Objectives, 209-10  
Operative principles, 210-11, 212  
Comptroller and Auditor General of India,  
22, 24

- Conference of Municipal Chairmen and Municipal Commissioners, 12  
 Corporation of the City of Nagpur v. Its Employees, 52  
 Corridor development, 236  
 Councillors, 39  
   Performance, 38  
 Cowper, 206  
 Critical decisions, 31-4  
 Cruz, Amando de La, 226
- Dahl, Robert, 223  
 Datta, Abhijit, 20  
 Dayal, Ishwar, 34  
 Decentralization, 36, 241  
 Decision-making, 27-34  
   Critical decisions, 31-4  
   Decisions' types, 27-8  
   Peculiarities, 28-31  
 Delhi city  
   Land values, 176-93  
 Delhi Municipal Corporation  
   Building plans sanctioning, 28-30  
   Revenues, 108-9  
 Delhi Municipal Corporation Act (1957), 4, 7, 47  
 D.T.U. v. Balbirsaran Goel, 8  
 Deliberative-executive relations, 13, 14, 21, 35, 48  
 Demand articulation, 215-24  
 Detroit Metropolitan Area, 149  
 Deva Raj, 45  
 Devolution of funds, 81  
 D'Souza, J.B., 137, 194  
 Duncan, W. Jack, 33  
 Dutton v. Bognor Regis, 6
- Education, 152  
 Employee discipline, 6-7, 10, 48-9  
 Employees State Insurance Act, 52  
 Employment, 132, 133, 144, 151, 154-5, 164, 166, 171, 172, 195, 230,  
 Employment Guarantee Scheme, 141, 144  
 Environment, 132, 133, 145, 151-2, 213, 228  
 Executive-deliberative relations, 13, 14, 21, 35, 48
- Factories Act (1948), 52  
 Financial control, 73-4  
 Folk-urbanists, 229-30
- Ford Foundation, 209
- Gadkari, S.S., 151  
 Ganguli, D., 178  
 Garner, J.F., 3  
 Goods distribution, 165  
 Gore, William J., 27  
 Gram Panchayat, 233  
 Grants-in-aid, 73, 77-9, 90, 143  
 Great Britain  
   Committee on the Management of Local Government (1967), 3, 12, 13, 18, 26, 71, 75  
   Royal Commission on Local Government in England (1969), 82  
 Growth functions, 163-9  
 Grozier, Michel, 75  
 Gujarat  
   Octroi Inquiry Committee (1970), 84, 89, 90, 91
- H. S. Rikhi v. N.D. Municipality, 1  
 Habitat Development Corporation, 237, 238-9  
 Haig, Robert M., 176  
 Haji Ismail Haji Mohd. Ramzan v. Municipal Committee, Malerkotla, 2  
 Harris, Nigel, 203  
 Hicks, Ursula, 77  
 Hirsch, Werner Z., 117  
 Hirschman, Albert A., 222  
 Housing, 132, 133, 137-8, 139, 145, 154, 155-8, 159, 194-205, 230  
   Allocation, 196-8  
   Current demand, 195-6  
   5th Plan estimates, 194  
   Hire-purchase scheme, 156-7, 205  
   Norms, 199-201  
   Private sector, 196  
   Public sector, 196-7, 201  
   Safety designs, 198-9  
 Housing and Urban Development Corporation, 138, 198, 199, 234  
 Hunter, Guy, 70
- Incentives, 49-50  
 Income tax slab systems 103-8  
 Indian Airlines Corporation v. Sukhdeo Rai, 9  
 Indian Electricity Act (1910), 251  
 Indian Institute of Public Administration, Centre for Urban Studies, 60

- Indirect tax, 90
- Industrial Disputes Act (1947), 52, 53
- Industrial location, 151
- Industrialization, 117, 130, 131
- Institutional finance, 138-9, 145, 146
- Institutional reforms, 82
- Interest articulation, 215-24
- International assistance, 139-40, 145
- Ishwar Singh v. Dist. Board, 8
  
- Jagannadham, v. 29, 30
- Jagdish Mitter v. Union of India, 8
  
- Kailas Sizing Works v. Municipality of Bhandi and Nazampur, 4-5, 9
- Kanpur city
  - Demand articulation, 216-24
- Kapoor, R.M., 95
- Karmadeo v. State of Bihar, 7
- Karnatak
  - Urban population, 118-20
- Khatu, K.K., 225, 229
- Kingsley, G. Thomas, 154, 155, 157, 159
- Kishori Lal Batra v. Punjab State, 7
- Kristof, Frank S., 154, 155, 157, 159
  
- Labour legislation, 51-3
- Labour mobility, 172
- Lakdawala, D.T., 196
- Lampard, E.E., 162
- Land development, 143, 146
- Land values, 176-93
- Landuse, 230-3
- Leavitt, Harold J., 56
- Life Insurance Corporation, 138, 145
- Local Authorities Loans Act (1914), 24
- Local finance, 76-83
- Local Finance Enquiry Committee (1951), 78, 80, 135
- Local Government Act, 1972 (UK), 3
- London County Council, 133
  
- M. S. Jondhale v. Sagamer Municipality, 9
- Mc Loughlin, Brain, 228
- Maddick, Henry, 71, 72
- Mahesh Chand, 177
- M.P. Municipal Corporation Act (1956), 5
- Magan Chunilal v. Manilal Maganlal, 1
- Management information system, 25
- Management of D.T.U. v. B.L. Hajley, 7
- Managerial functions, 164-5
- Mangal Sain v. State of Punjab, 7
  
- Marshall, Alfred, 176
- Mayor 13-14, 37, 38-9
- Mayor-in-council, 36
- Meerut city
  - Economic growth, 170-5
- Mehra, Om Prakash, 70
- Mehta (Balwantrai) Committee, 144
- Mehta, Pheroze Shah, 48
- Metro Area Development Authority, 237
- Migration, 151, 195, 230, 233
- Milgram, Grace, 176
- Minimum Wages Act (1948), 52
- Ministry of Health, 209, 211
- Ministry of Works and Housing, 196, 213, 234
- Misra, V.N., 164
- Model Community Schools, 213
- Modernization, 228-9
- Mumford, Louis, 206
- Municipal Board, Ghaziabad v. Rizwan Beg, 1
- Municipal Commissioner, 13, 14, 15, 17-18
  - Political pressures, 38,
  - Powers and functions, 36-7, 47
  - Gujarat, 35-44
- Municipal Corporation of Delhi v. Subhagwati, 6.
- Municipal employees, 45-53
  - Annual confidential reports, 58-69
  - Benefits and pay scales, 51
  - Discipline, 48-9
  - Dismissal, 7-8, 10
  - Incentives, 49-50
  - Labour laws' application, 51-3
  - Low efficiency, 45
  - Over-staffing, 45
  - Performance appraisal, 57-69
  - Promotions, 49-50, 58
  - Protection, 6-7
- Municipal enterprise, 82
- Municipal finance, 143-4, 146, 234
  - External machinery, 22-3
  - Framework, 20-3
  - Instrument, 23-6
  - Internal machinery, 21-2
  - Reforms; 20-6
  - Urban development, 141-3
- Municipal Finance Commission, 82
- Municipal government
  - Executive structure, 46-8, 50-1
  - Management reforms, 11-19

## Municipal management

Legal framework, 1-10

Muttalib, M.A., 11

Nagar Mahapalika, Varanasi v. Durga Das  
Bhattacharya, 2

Nagarkatti Report, 59

Nageswar Rao, M., 117, 126

National Capital Planning Commission  
(USA), 150

National Council of Applied Economic  
Research, 205

National integration, 227

Non-programmed decisions, 27-8, 30

Non-residential premises cess, 109-10

Octroi, 84-94, 142, 146

Alternatives, 91-3

Evaluation, 85-9

Financial implication of abolition, 89-91

Nature, 84-5

Orbell, J.M., 222

Owens, Edgar, 216

Pali Conference of Municipal Executives  
of Rajasthan (1963), 81

Pant, Niranjan, 215, 216

Parameshwar Dayal v. State, 7

Parthasarathy, R., 225

Pay Commission, 2nd, 58-9

Performance appraisal, 54-69

Advantages, 55

Approaches, 57

Effectiveness, 56-7

Municipal administration, 57-69

Performance budgeting, 23-4

Personnel, Municipal *see* Municipal employees

Political leadership, 15, 19

Political parties, 17, 21

Poor, 154, 207

Powell, G. B., 215

Private Bills, 73

Production, 163-4, 229

Professional tax, 141

Programmed decisions, 27-8

Property tax, 141, 146, 230, 232

Calcutta Corporation, 96-108

Provident Fund Act, 52

Public goods, 123-4

Public Libraries and Museum Act, 1964  
(UK), 75

Public policy, 169-70

Raipuria, K.M., 76, 79, 81

Ramachandran, P., 202

Rama Rao, S., 117, 118, 126

Ratilal Chhaganlal v. Dhari District Municipality, 9

Recurring decisions, 30

Reddy, K.N., 117

Rent Act, 141-2

Rent control, 204

Revenue sharing, 80-1

Rhyne, Charles S., 4

Ribbon development, 226

Richard, Peter G., 71, 73, 74-5

Rural-Urban Relationship Committee, 51,  
53, 82

Rwo, Arthur T., 149

S.R. Tiwari v. District Board, Agra, 5, 9

Sacks, Seymour, 126

Sales tax, 91, 142

Sarma, Atal, 126

Sen, S.N., 196

Senior, D., 72

Shaw, Robert, 216

Simon Herbert, 27

Sinha, K.K., 118

Sirsi-Municipality v. C.K.F. Tellis, 9, 10

Slums, 152, 206, 207, 213, 230, 242

Smith v. Martin and Hull Corporation, 4

Social amenities, 132, 133, 146, 152

Social problems, 228

Social welfare agencies, 213

Spangler, Richard, 126

Spatial variations, 176-93

Squatter colonies, 202-4

Staff control, 6-9

State Habitat Development Authority, 237

State-local fiscal relations, 76-85

Constitutional provisions, 76-7

State-municipal relations, 12, 17, 20, 76-83

Financial, 20, 22-3, 26, 76-83

State of Orissa v. Dr. (Miss) Binapani  
Devi, 10

State of U.P. v. Madan Mohan, 8

Stopler, W., 162

Street, Harry, 5

Subhash Chandra, 206

Subordinate legislation, 74

Sundaram, K.V., 162, 164, 166

Supreme Court of India, 2, 9

- Tamil Nadu District Municipalities Act (1920), 47  
 Taxation, 79-81, 141-2, 146  
     Canons, 85  
 Taxation Enquiry Commission (1953-54), 80, 81, 135  
 Taylor v. Munrow, 1  
 Thimmaiah, G., 117  
 Thiruvariamurthu Pillai alias B.T. Pillai v. Municipal Council, Shencottah, 4  
 Thompson, James D., 28  
 Tocqueville, Alexis de, 70, 516  
 Tortuous liability, 3-6, 9  
 Town and Country Planning Organization, 35, 136  
 Trade unions, 52  
 Transportation, 132, 228, 230  
 Tuden, Arthur 28  
 Turnover tax, 91-3
- Ultra vires, Rule of, 1-3, 4, 9, 74  
 Umland, 225, 230-3  
 Union of India v. Kartar Singh, 8  
 United Nations, 226, 240  
 Uno, T., 222  
 Urban Area Development Authority, 237  
 Urban areas  
     Economic growth, 162-75  
     Public policy, 169-70  
 Urban authorities, 225-42  
     Effectiveness, 235-42  
 Urban development, 155, 162, 208  
     Agencies, 133-4  
     Commercial schemes, 143, 146  
     Finance, 131-48 ; Needs estimation, 134-7, 145  
     Institutional finance, 138-9, 145  
     International assistance, 139-40, 145-6  
     Local resources, 140-3  
     Plan allocations' inadequacy, 138  
     And urban authorities, 225-42  
 Urban Development Authority, 82  
 Urban Land (Ceiling & Regulations) Act (1976), 143  
 Urban laws, 227-8  
 Urban life, 229-30  
 Urban needs, 132-3, 144-5  
 Urban neighbourhood, 215-24  
 Urban planning, 149-61, 207, 230  
 Urban population, 131, 144, 206, 228-9  
     Growth, 117, 118-20, 195  
     And expenditure, 117-30  
 Urban-rural fringe, 232  
 Urbanists, 229-30  
 Urbanization, 117, 130, 131-2, 206, 207, 225, 226-7, 229  
 U.P. Government v. Ram Milan, 4  
 U.P. Municipalities Act (1961), 2
- Ved Prakash, 132, 136  
 Venkataraman, K., 76
- Wadhwa, Charan D., 84  
 Wadhwa v. Union of India, 8  
 Washington National Capital Region, 149  
 Webb v. Minister of Housing and Local Government, 1  
 Weinberger, Bruno, 72, 73  
 Wiebe, Paul D., 200  
 Wiswakarma, R.K., 164, 176, 177  
 Workmen's Compensation Act (1923), 52  
 World Bank, 134, 136, 137, 140
- Zakaria Committee (1963), 77, 78, 79, 80, 81, 135-6, 141, 145  
 Zila Panchayat, 233